Daily Report

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CONTENTS

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

INTER-AMERICAN AFFAIRS

C.A. Representatives Sign Free Trade Agreements *[LA TRIBUNA 7 Oct]* 1
Inter-American Education Council Meeting Held 1
New Officers Elected *[EL DIARIO 14 Oct]* 1
Conference Concludes *[EL DIARIO 14 Oct]* 1

CARIBBEAN

Cuba

Fidel Castro Meets With GDR Defense Minister *[Havana TV]* 2
Military Maneuvers End; R. Castro Hails Troops *[Havana TV]* 2
Maneuvers 'Positive Step' *[Havana TV]* 3
Media Specialist Comments on U.S. Programs 3
TV Marti Counterproductive *[Havana Radio]* 3
Radio War Creates Distrust *[Havana International]* 3
Trade, Tariff Agreements Signed With Brazil *[Havana TV]* 3
Importance of Agreements Stressed *[Havana Radio]* 3
Tripartite Talks Lack 'Satisfactory Response' *[Havana TV]* 4
Extended To Discuss Violations *[Havana TV]* 4
Central Committee Member Meets PSP President *[Havana Radio]* 4
Internationalists From Angola Welcomed *[Havana TV]* 4
Material Supply Official Holds Talks in Romania *[Havana TV]* 4
Atomic Energy Official Meets CSSR's Jakes *[Havana TV]* 4
Sri Lankan Parliamentarian Arrives for Visit *[Havana TV]* 5

Haiti

CEP Member Issues Internal Memo on Elections *[Port-au-Prince Radio]* 5
Former Senator Desulme States Position on Crisis *[L'UNION 14-18 Oct]* 6
Threats Made Against De Ronceray, MDN *[Port-au-Prince Radio]* 7
Military Presence Halts Petit Goave Disturbance *[Port-au-Prince Radio]* 7

MEXICO

Editorial Calls for Mature Relations With U.S. *[EXCELSIOR 4 Oct]* 8
Salinas Says Trade Key to Mexico's Future *[THE NEWS 7 Oct]* 8
Stock Market President Reports Boom Since March *[THE NEWS 11 Oct]* 8
Former Agriculture Secretary Accused of Corruption *[THE NEWS 11 Oct]* 9

CENTRAL AMERICA

El Salvador

Reportage on Government-FMLN Peace Negotiations 10
Government Peace Proposal *[San Salvador Radio]* 10
PDC Official Optimistic *[San Salvador Radio]* 11
Colonel's Daughter Murdered *[San Salvador Radio]* 11
Rebels Deny Responsibility *[San Salvador Radio]* 12
Government Blames Rebels *[San Salvador Radio]* 12

U.S. Adviser Asked To Sit In *[ACAN]* 12
Staff Officers Removal Demanded *[AFP]* 13
No Agreement Reached *[Hamburg DPA]* 13
Costa Rica Government Concerned *[ACAN]* 14
Peace Talks To Continue *[San Salvador TV]* 14
Peace Proposal Announced *[San Salvador TV]* 14
President Receives Visiting General Yeh *[Taipei CNA]* 15

Guatemala

Foreign Minister Ariel Rivera Sworn In *[Hamburg DPA]* 15

Honduras

U.S Reaction to Charges Against Regalado Wanted *[Tegucigalpa Radio]* 15
Army Spokesman Discusses Affair *[LA TRIBUNA 17 Oct]* 15

Nicaragua

Daniel Ortega Interviewed on Contras, Israel *[Kuwait AL-ANBA' 14 Oct]* 16
GDR's Kessler-Led Delegation Ends Visit *[East Berlin ADN]* 19
* FSLN Accords, Economic Programs Discussed *[Nicosia AL-HURRIYAH 6-12 Aug]* 19

Panama

Convoy of U.S. Army Trucks Stopped by Policeman *[LA REPUBLICA 17 Oct]* 21
Arraijan Mayor Reports 13 Oct U.S. Maneuvers *[LA ESTRELLA DE PANAMA 14 Oct]* 22
Embassy Denies Noriega Link With Illegal Firm *[AFP]* 22
Mexican Newspaper Reports Rodriguez' Resignation *[EXCELSIOR 11 Oct]* 22
Salaries of Noriega, Other Officials Reduced *[ACAN]* 23
FDP Officers' Wives Worried Over Husbands' Fate *[ACAN]* 23
Officers Transferred *[ACAN]* 24
Columnist Reviles U.S. Official Maisto *[LA REPUBLICA 17 Oct]* 24
Opposition Leader Ford Returns 17 Oct *[Hamburg DPA]* 25
Opposition Agrees With Felipe Gonzalez' Proposal *[ACAN]* 25
National Media Director on Station Interference *[Panama City Radio]* 25
Minister Gonzalez Invites IMF Mission To Visit *[ACAN]* 26
Minister Receives Taiwan Trade Mission *[Taipei CNA]* 27
Archbishop Criticizes Nun's Deportation *[ACAN]* 27
University Group Protests *[Hamburg DPA]* 27

SOUTH AMERICA

Argentina

Venezuelan President Concludes Official Visit 28
Menem Speech at Dinner *[Buenos Aires Radio]* 28
Perez Speech *[Buenos Aires Radio]* 29
Menem-Perez Talks *[TELAM]* 31
News Conference Given *[NOTICIAS ARGENTINAS]* 31
Departs for Uruguay *[TELAM]* 32
Joint Communique *[TELAM]* 32
Negotiations Conducted With UK in Madrid 33
Dialogue 'Positive' *[Madrid EFE]* 33
Talks Extended *[NOTICIAS ARGENTINAS]* 33
Poll Reveals Support for Falklands Negotiations *[NOTICIAS ARGENTINAS]* 33
Menem, Justicialists Praise Loyalty Day Ideals *[TELAM]* 34
Socialist Congress Approves Unity Project *[NOTICIAS ARGENTINAS]* 34
Military Industries' Situation 'Critical' *[TELAM]* 35
Fishermen Find Plastic Bombs in La Matanza *[DYN]* 35

Bolivia

President Paz on Visit of Venezuela's Perez *[Madrid EFE]* 35
Mining Mission Departs for Bangkok Tin Talks *[Madrid EFE]* 36
Joint Police Action To Investigate Drug Killings *[Madrid EFE]* 36
Experts Examine Remains Found in Common Grave *[Madrid EFE]* 36

Brazil

Commercial Agreement Signed With Italy *[Brasilia Radio]* 37
State Official Reports Expulsions From Paraguay *[O GLOBO 15 Oct]* 37
* Economists Discuss Cost of Internal Debt 37
* Debt Alarming *[O ESTADO DE SAO PAULO 13 Sep]]* 37
* Cost of Domestic Debt *[O GLOBO 10 Sep]* 38
* Figures on Size of Informal Economy Contested *[O ESTADO DE SAO PAULO 14 Sep]* 39
* Contradictions in Economic Situation Viewed *[VEJA 9 Aug]* 40
* Engesa Head Reports Export of Sucuri Tank *[O GLOBO 11 Sep]* 45

Chile

Finance Ministry Sources on Joining Brady Plan *[Santiago Radio]* 45
Pinochet Rejects 'Power for Power's Sake' *[Santiago Radio]* 46
Vows Not To Promote Coups *[Santiago Radio]* 46
Merino Says Pinochet Remarks 'Misunderstood' *[Santiago Radio]* 46
Teitelboim Comments on Meeting With Gorbachev *[Santiago Radio]* 47
Interviewed on Situation *[ANALISIS 2-8 Oct]* 47
Almeyda Faction Advocates Unity of Left *[Santiago Radio]* 48
Two Youths Indicted in Mormon Church Arson *[Santiago Radio]* 48
Conscripts Injured in Grenada Accident *[Santiago Radio]* 49
New Metropolitan Region Army Commander *[Santiago Radio]* 49

Colombia

Judge Killed in Medellin Traveling to Office *[Bogota TV]* 49
Judicial Branch Begins 72-Hour Protest Strike *[Hamburg DPA]* 49
Supreme Court Rules on State of Siege Decrees *[Bogota Radio]* 49
Local VOA Employee Assassinated in Medellin *[Madrid EFE]* 50
Cali Lawyer Gunned Down by Unidentified Gunmen *[Bogota Radio]* 50
Two Suspected EPL Guerrillas Killed in Shoot-out *[Bogota Radio]* 50
* Congress, President Seek Better Relations *[EL TIEMPO 16 Sep]* 50
* Upcoming Coffee Negotiations Viewed *[EL TIEMPO 18 Sep]* 51
* Government Studies Subsidized Housing *[EL TIEMPO 16 Sep]* 53

Peru

Shining Path Destroys Agricultural Station *[Madrid EFE]* 53
FREDEMO Candidate, Wife, Son Murdered *[Lima TV]* 54
Armed Forces Kill Terrorists in Mountain Area *[Lima TV]* 54

Uruguay

Venezuela's Perez Arrives, Meets Sanguinetti *[Montevideo Radio]* 54
Health Minister Reports Increased Drug Use *[TELAM]* 54

Venezuela

President Perez Speaks on Antidrug Cooperation *[Bogota TV]* 54
Investment Plan Presented for $23.557 Billion *[Hamburg DPA]* 57

Suriname

Indians Reject Kourou Accords Referendum *[Paramaribo International]* 57
Faster Pace on Anti-Mercenaries Accord Urged *[CANA]* 57
Armed Group Occupies Moengo; No Casualties *[Paramaribo International]* 57
Government Issues Statement *[Paramaribo International]* 58

C.A. Representatives Sign Free Trade Agreements

PA1610184089 Tegucigalpa LA TRIBUNA in Spanish 7 Oct 89 p 3

[Text] On 6 October area representatives signed a Multilateral Trade Agreement for Basic Foods and instructed the Secretariat of Central America Economic Integration (SIECA) to start drafting a new framework for the regional agreement.

The document that authorizes a new economic integration agreement was signed by the Economy Ministers of Guatemala, Nicaragua, Costa Rica, and Honduras, in San Pedro Sula at noon. The deputy economy minister of El Salvador signed the agreement in Tegucigalpa in the afternoon because of a delay in his travel arrangements to San Pedro Sula.

The representatives of Guatemala, Eduardo Estrada Galvez; El Salvador, Mario Acosta; Honduras, Reginaldo Panting; Nicaragua, Orlando Solorzano; and Costa Rica, Antonio Burgues Teran, said that the agreement was "very important and positive" for the commercial growth of the countries in the area.

The officials added that this agreement is the first step in reactivating the Central American Common Market and above all to allow Honduras to start multilateral relations through the free trade of beans and other basic products.

As a first step the officials are weighing the possibility of forming a work team to look for ways in which the region may become self-sufficient in supplying basic products.

According to Nicaraguan representative Orlando Solorzano, the Central American economic integration process has been under way despite difficulties and crises. Solorzano added: "It is now being viewed not only as a tool for development but as an instrument that can help further the peace process. In this context the integration process becomes more important."

The other ministers also emphasized the need to reorganize, reactivate and strengthen the integration process, which will lead to improved commercial exchange between the countries in the area.

The agreement signed includes a list of items to be traded in Central America, among them industrial and basic products.

Inter-American Education Council Meeting Held

New Officers Elected

PY1610192889 Asuncion EL DIARIO in Spanish 14 Oct 89 p 16

[Summary] At the closing session of 20th Ordinary Meeting of the Inter-American Council for Education, Science, and Culture (CIECC), Paraguayan Education Minister Dr Dionisio Gonzalez Torres was elected president of this organization for a 1-year period.

Saint Lucia Ambassador Joseph Edmunds and Guatemala Ambassador Maria Mercedes Andrade Sigui were elected as president and vice president, respectively, of the CIECC Permanent Executive Committee (CEPCIECC).

Conference Concludes

PY1710220289 Asuncion EL DIARIO in Spanish 14 Oct 89 pp 16, 17

[Text] The 20th Regular Conference of the Inter-American Committee for Education, Science, and Culture [CIECC], one of three OAS councils, ended yesterday. For 3 days, some 20 ministers and experts from the education sector have analyzed programs and discussed problems such as drugs and computers as instruments of education, among others.

In its last session yesterday, the CIECC adopted important resolutions that will be implemented during the period 1990-91. One resolution states: "OAS members have the obligation to cooperate in solidarity with the struggle against drug trafficking and drug addiction, which demands coordinated international action to eradicate this evil." This subject is discussed in the chapter entitled "Education and the Challenge of the Use and Abuse of Alcohol and Other Drugs."

The resolution on this issue calls for the "implementation of general education programs among the people." The strategy to be followed has also been modified. The drug issue will now be included in the curriculum for education and health.

The CIECC has recommended that all possible negotiations be carried out to obtain funds from foreign sources to promote the use of computers in the educational systems of the region, in accordance with the respective national policies; that is, considering the need to reduce the current gap existing between countries that produce technology and those that need it and do not yet have sufficient capacity for its critical utilization. The CIECC therefore proposes the analysis and exchange of experience.

Another resolution states that organization's critical financial situation forces it to utilize effective mechanisms to obtain foreign cooperation; therefore, the general secretariat has been asked to submit the basic document requested by CIECC Resolution 761/88 by 15 November 1989 at the latest for the consideration of the CEPCIECC [CIECC Permanent Executive Committee] in a special meeting to be held in December 1989.

The scholarship and training programs "have made important contributions to the development efforts of these countries." It was therefore decided to "maintain the priority importance granted to the organization's scholarships and training programs." Observer countries have been asked to expand their cooperation offers.

Member states have also been asked to pay their obligation to the organization's General Fund promptly to guarantee the normal operation of technical cooperation programs.

Cuba

Fidel Castro Meets With GDR Defense Minister

FL1810124789 Havana Tele-Rebelde Network in Spanish 1200 GMT 18 Oct 89

[Text] Commander in Chief Fidel Castro Ruz, first secretary of the Central Committee of the Communist Party of Cuba [PCC] and president of the Councils of State and Ministers, last night received Army General [title as heard] Heinz Kessler, GDR national defense minister and member of the Politburo of the Socialist Unity Party of Germany, at the Jose Marti International Airport.

The GDR defense minister made a technical stopover in Havana on his way back to Berlin from Managua.

He was also welcomed at the airport by Army General Raul Castro, second secretary of the PCC Central Committee and minister of the Revolutionary Armed Forces, and Army Corps General Abelardo Colome Ibarra, member of the PCC Politburo and interior minister.

During their approximately 2-hour talk, Commander in Chief Fidel Castro and Army General Heinz Kessler exchanged views and they agreed on the analysis of the international situation.

At the conclusion of the talks, the GDR defense minister conveyed fraternal greetings from GDR President Erich Honecker to Comrade Fidel. While standing at the foot of the steps to the airplane, the commander in chief conveyed a warm greeting to the general secretary of the Socialist Unity Party of Germany.

Military Maneuvers End; R. Castro Hails Troops

FL1810040089 Havana Television Service in Spanish 0100 GMT 18 Oct 89

[Text] The "30th Anniversary of the Triumph of the Revolution" maneuvers ended today in Artemisa Municipality, after several days of exercises in the Provinces of Pinar del Rio, Havana City, and Havana.

During the morning, Army General Raul Castro and the participants in the maneuver were received in Havana by Victorino Lemus, first secretary of the party's provincial committee and chairman of the provincial defense council. Lemus reported on the plans for the economy and defense in the territory. Bauta Municipality has the best defense in Havana Province; the city is a fortified area.

The tactical exercise was carried out by the local troops with the cooperation of the regular Revolutionary Armed Forces troops to defend the access to the city and to prevent that the enemy takes it and advances toward the capital.

[Begin Raul Castro recording] I would simply like to personally greet you, congratulate you, and thank you for what you have done for defense—particularly, however, for what you have done during the past few months, after my visit in April. As a matter of fact, that visit was on a Sunday, a defense Sunday.

This is a task which requires a lot of patience, a lot of perseverance. That is why we insisted that there be no hurry, and that we not rush to attain the banner declaring us ready for defense in the second stage. We have until 1995 to accomplish that. This does not mean that we will progress at a slower rate. Instead, this means that we will make more progress, however, as we do this, we will gradually consolidate. When we began this maneuver in Pinar del Rio, we briefly said what had been repeated on other occasions: Things that are done in a hurry do not last; they are transitory. Only the things that are done little by little and systematically, last.

Therefore, with the consolidation of what we are doing, the war of all the peoples and the concepts of our current military doctrine are in the domain of the masses. A few years ago, we started with the adults. Today, however, under the leadership of the pioneers organization, the Union of Young Communists, and with the support of the Patriotic-Military Education Society, our pioneers begin learning these concepts as children from the moment they enter school.

One year ago, during an exercise we were carrying out in Sierra Maestra, Granma Province, I saw a group of children, Pioneers, who were on their way to school. They were near an area where we had carried out a technical maneuver. I stopped them. They must have been about 7 or 8 years old. I asked them what their principal role was in the war of all the peoples. They answered that the first thing they had to do was to run for cover. [laughter]

This means that even the children are learning the concepts. Therefore, in the future it will be easier, cheaper, and take less training time for defense. Already, beginngin in January, we will reduce by 50 percent the time we spend on defense Sundays. In other words, we will be having one defense Sunday every 2 months. This is very fair.

However, we still have a very serious problem. The quality of training is still very bad. In some areas, because they are close to military units, or close to a cadets' school, people come and help out. However, the quality of the training is still bad. People complain about this through their organizations.

Everything that you are dedicating....[changes thought] This involves millions of cubic meters of sweat. Everything you do here is also done throughout the country—be it during a defense Sunday, [words indistinct]. It involves a lot of time that the people voluntarily dedicate to defense.

This is also a huge political-ideological task. That is why we must not hurry. We must consolidate. [applause] [end recording]

Maneuvers 'Positive Step'

FL1810125889 Havana Tele-Rebelde Network in Spanish 1200 GMT 18 Oct 89

[Text] The "30th Anniversary of the Triumph of the Revolution" maneuvers concluded yesterday with a rally of the masses in the Martyrs Plaza in Artemisa. Division General Ulises Rosales del Toro, alternate member of the Politburo of the Communist Party of Cuba and first vice minister of the Revolutionary Armed Forces, gave the closing remarks in which he reviewed the important military exercise which was held in the provinces of Pinar del Rio, Havana, and Havana City. The military maneuvers were described as a positive step in preparing the country for the war of all the peoples.

Media Specialist Comments on U.S. Programs

TV Marti Counterproductive

FL1710190289 Havana Radio Rebelde Network in Spanish 1800 GMT 17 Oct 89

[Report by Nora Rodriguez Calzadilla]

[Text] One cannot disregard the possibility that, sooner or later, a U.S. television station against Cuba will go on the air, said Leonardo Cano, mass media specialist of the Central Committee of the Communist Party of Cuba.

During a conference of leaders from the Union of Young Communists, Cano said that within the framework of its ideological aggression against Cuba, the U.S. Government has not renounced its plan of the so-called Tele-Marti, which will create a crisis in relations between the two countries.

[Begin Cano recording] I think that there is a different perception, a different movement going on in the world. The direction is very different. The tendency is to move toward dialogue, detente, to abandon confrontation, to abandon confrontation [repeats himself] and to handle certain conflicts through negotiation. The introduction at this time of a U.S. television signal against Cuba is counterproductive, illogical, and against the current train of thought that exists between countries in conflict. [end recording]

Radio War Creates Distrust

PA1710220189 Havana International Service in Spanish 1400 GMT 17 Oct 89

[Text] Mass Media Specialist Leonardo Cano stated that the U.S. Government has invested more than $100 million in radio aggression against Cuba since 1985. He added that the United States has earmarked approximately $80 million for the so-called Radio Marti. This is a mere trifle in the U.S. budget, but would surely be of great help to Third World countries or if is spent to solve the U. S. social problems. Cano participated in Open Agenda, a television program, on 16 October. The program was dedicated to the U. S. radio war against Cuba. Cuba has a total of 55 radio stations: 1 international station, 5 national, and the rest are either provincial or municipal. Parallel to our stations' broadcasts, our Caribbean territory receives radio broadcasts that are clandestine and are promoted or backed by the U.S. Government to create distrust and promote counterrevolution. Cuba receives 60 hours of broadcasts a day from these clandestine stations with the aforementioned objectives.

Trade, Tariff Agreements Signed With Brazil

FL1710132389 Havana Tele-Rebelde Network in Spanish 1200 GMT 17 Oct 89

[Text] Brazil and Cuba have signed two agreements to reduce tariffs and increase trade. During a ceremony held at the headquarters of the Brazilian Foreign Ministry, the acting foreign minister of that country, Paulo Tarso Flecha de Lima, and Cuban Foreign Trade Minister Ricardo Cabrisas signed a general agreement on trade and a partial scope agreement on the reduction of tariffs.

The agreement establishes general terms for trade, mutual preferential treatment, and creates a joint commission for the coordination of trade relations. The partial scope agreement, according to the Latin American Integration Association, will reduce tariffs by 60 percent on more than 200 different products.

Importance of Agreements Stressed

FL1710192789 Havana Radio Rebelde Network in Spanish 1800 GMT 17 Oct 89

[Station commentary]

[Text] Cuba and Brazil have just taken a positive step toward the consolidation and deepening of their bilateral relations. The two countries have signed a trade agreement that establishes general terms for the development of Cuban-Brazilian trade. The two nations also signed a partial scope agreement that grants mutual tariff concessions on 280 items.

These agreements are very important for several reasons. First of all, they not only indicate an undeniable reinforcement of bilateral relations, but also a positive step toward Latin American integration.

If we consider that Brazil and Cuba renewed diplomatic relations only 3 years ago—after 22 years of interrupted relations—we come to the conclusion that those relations are strengthening and can still reach even higher levels. Up to the moment, as Cuba has pointed out, this is the country's perspective. Cuban-Brazilian trade, which was $23 million in 1985, increased to $49 million during the first 7 months of 1989 and it could increase to $150 million by December.

The agreements that have been signed will be a positive influence on trade. Above all, they will be a positive influence in promoting the type of relations that we consider to be the most adequate for the people of Latin America.

Because of its economic potential in this continent, Brazil is called upon to play a key role in this just continental goal.

Tripartite Talks Lack 'Satisfactory Response'

FL1710131089 Havana Tele-Rebelde Network in Spanish 1200 GMT 17 Oct 89

[Text] The delegations from Cuba, Angola, and South Africa, took a recess from their debates on the situation in Namibia prior to the general elections to be held in November. The talks lacked any visible satisfactory response to the problem of the lack of fulfillment of the UN plan for the independence of that territory.

The meeting in the economic capital of South Africa is also attended by observers from the USSR, the United States, and the UN Mission in Namibia.

Sources say the emphasis at the talks was placed on the continued lack of fulfillment in the application of UN Security Council Resolution 435.

When questioned by the press at the conclusion of the first day of talks, the chief of the Cuban delegation, Carlos Aldana, said that compulsive factors still exist, such as the presence of the Koevoet, the repressive body created by Pretoria in Namibia, as well as the presence of two battalions of the so-called territorial troops in the (Kaprivi) area, which is in contradiction of Resolution 435.

Extended To Discuss Violations

FL1810133489 Havana Tele-Rebelde Network in Spanish 1200 GMT 18 Oct 89

[Text] South African President F.W. de Klerk received in Pretoria the heads of the delegations from Angola, Cuba, and South Africa who comprise the tripartite commission on the independence of Namibia. The meeting lasted almost an hour and no details were available on the meeting.

A few hours earlier, the delegations met in Johannesburg and discussed violations that have been committed during Namibia's independence process. The talks were supposed to have concluded yesterday but will continue today to further analyze the problems that still persist in that area.

Central Committee Member Meets PSP President

FL1710223289 Havana Radio Reloj Network in Spanish 2045 GMT 17 Oct 89

[Text] A delegation from the Communist Party of Cuba [PCC] today left Beirut for Damascus after holding important meetings with Islamic, Lebanese, and Palestinian leaders.

The group, which is headed by PCC Central Committee member Rodolfo Puentes Ferro, met with Walid Jumblatt, president of the Progressive Socialist Party [PSP]. Jumblatt told the Cubans that the Lebanese crisis is going through a time lag, and that its solution can only come from putting an end to [words indistinct].

The Cuban party delegation also spoke in Beirut with Nabi Berri, chief of the Shi'ite al-Amal group, and with the leadership of the Syrian Nationalist Socialist Party, as well as with high ranking officials of the popular and democratic fronts for the liberation of Palestine.

Puentes Ferro reaffirmed Cuba's solidarity with the Lebanese patriotic forces who are trying to find a solution, justice, and equality for the country.

Internationalists From Angola Welcomed

FL1810132389 Havana Tele-Rebelde Network in Spanish 1200 GMT 18 Oct 89

[Text] More than 160 internationalist combatants arrived from Angola during the past few hours. The joy of returning to the fatherland was evident on the faces of each of our brave combatants, many of whom are youths. Roberto Veiga, member of the Politburo of the Communist Party of Cuba, and Brigade Generals Rene Nunez Alvarado and Bruno Rodriguez Curbelo conveyed the greetings of the people, who receive them with pride.

The combatants wear the Cuba-Angola Victory Medal, as well as other medals that bear witness to their brave and heroic actions in defense of the brother African nation's sovereignty and independence.

Material Supply Official Holds Talks in Romania

FL1710134789 Havana Tele-Rebelde Network in Spanish 1200 GMT 17 Oct 89

[Text] The minister president of the State Committee for Material and Technical Supply, Sonia Rodriguez, has described as very productive the negotiations she is holding with her Romanian counterpart in Bucharest. In remarks to PRENSA LATINA, Rodriguez said that she and her Romanian counterpart, Ioan Petre, exchanged views on the 1990 cooperation program.

In reference to general equipment, the supply of 900 Arrow Jeeps promised in 1987 was fulfilled. Five hundred jeeps are now in the Constanza port for shipment to Cuba.

Atomic Energy Official Meets CSSR's Jakes

FL1810134789 Havana Tele-Rebelde Network in Spanish 1200 GMT 18 Oct 89

[Text] In Prague, Milos Jakes, general secretary of the Communist Party of Czechoslovakia, has received Fidel Castro Diaz-Balart, executive secretary of the Cuban Atomic Energy Commission. During the meeting, Jakes and Castro Diaz-Balart discussed matters related to bilateral cooperation in the area of nuclear energy.

Castro Diaz-Balart is on an official visit to the CSSR at the invitation of the local authorities responsible for this scientific branch.

Sri Lankan Parliamentarian Arrives for Visit

FL1710213689 Havana Television Service in Spanish 0100 GMT 17 Oct 89

[Text] Mohamed Hanifa Mohamed, president of the Parliament of the Democratic Socialist Republic of Sri Lanka, arrived today in our country for a 3-day visit. The delegation was received at the airport by Severo Aguirre del Cristo, acting president of the National Assembly of the People's Government.

Mohamed Hanifa Mohamed heads his country's 168 parliamentarians who are elected yearly. Sri Lanka is a country located in the Indian Ocean with a population of 13 million people in an area of over 65,000 square km.

[Begin Mohamed Hanifa Mohamed recording in English with simultaneous Spanish translation] There have always been relations of friendship between the two countries, and I am sure that my visit will reaffirm these relations even more. [end recording]

From a political perspective, this country is going through moments of tension aggravated by interethnic clashes between Sinhalese and Tamil extremist groups who have caused thousands of victims. The Indian Government has provided support for a peaceful solution to the conflict.

[Begin Mohamed Hanifa Mohamed recording in English with simultaneous Spanish translation] We have called a conference of all the parties to analyze these matters. We hope that we can solve these problems. This shows that everyone is making sincere efforts to really find lasting and realistic solutions to this problem. There is a problem, it exists, we cannot deny it. However, we are trying to find the means to solve them. [end recording]

Haiti

CEP Member Issues Internal Memo on Elections

FL1710184689 Port-au-Prince Radio Soleil Network in Creole 1100 GMT 17 Oct 89

[Text] Dr Joseph (Lesperance), a member of the Provisional/Permanent Electoral Council [CEP] has sent his eight fellow CEP members a memorandum entitled: "Suggestions for the Organization of Unfettered, Honest, Open Elections." In this memo, Dr (Lesperance) says that the initial CEP members have now been on the CEP for 5 months, from 6 April to 6 September 1989. They were sworn in under fire from the Dessalines Barracks soldiers who had gone berserk. These CEP members had not hesitated, at the time, to put their lives in danger in order to respond to the call of the Constitution of 1987 to serve the higher interests of the nation.

Now, as a member of the CEP, he is obliged to wonder what is going on within the CEP.

Dr (Lesperance) says in his memo that we are living (?in fear, with) certain people acting like (?prima donnas), which could lead us to a dictatorship. This could be fatal to the institution, which was just gaining some credibility with the population.

According to the doctor, never had formal written reports of the meetings been drawn up nor had any notes been taken and kept. Yet the CEP has the secretarial personnel of the Legislative Palace at its disposal, the doctor says.

He says he will take a look back at the CEP's activities.

The doctor says that at the first meeting, on 17 April, he made some suggestions regarding the forming of the CEP's executive bureau. He had understood that the CEP members did not know each other well, and that it would be better for them to appoint the oldest member to head the institution to formulate the laws that would permit them to work—the internal regulations—and the way the positions were going to function. This was to avoid any surprises in the future.

The next day, 18 April, several unimportant things were considered, such as the opening of a bank account; the impatience of the press, which constantly hounded them regarding the makeup of the executive bureau; and other diverse matters. This was to lead them to form the current executive bureau that very day before they definitively determined the responsibilities of the different CEP members.

The doctor reminds the CEP that, contrary to the proposal of a colleague who wanted to make an announcement to the press, he himself was (?trying to get set up) the way these appointments were going to be made, so as to (?be able to) say that they had been proposed and then adopted unanimously by the CEP.

At a work session on 20 April, Dr (Lesperance) suggested the debates be public, so that the population could get to know the CEP members better. This proposal was rejected by the CEP, which said that although the CEP's decisions were to be public, the debates must remain secret. The doctor, laughingly said: Well, (?although) we don't have to account to the organizations that sent us to the council, I must say that for once the executive has shown itself to be transparent.

We must remind listeners that Dr (Lesperance) is the representative of the executive to the CEP.

The organic law was submitted to the executive on 8 June, and it was published as a law decree last 16 June. It was at that time that certain tendencies that might hurt the CEP's credibility with the population began, Dr (Lesperance) says.

First of all, when they were invited to meet with the political parties and leaders [as heard], he asked that invitations be issued by letter instead of through a communique in the press. One of the members said it was impossible to obtain everyone's address from the Ministries of Justice and Interior. The doctor says that he laughingly pointed out that the day they [not further

identified] needed to put those political leaders in jail, they would find their addresses quite easily. Also, that the government's protocol department could tell them how to best issue these invitations.

Dr (Lesperance) says in the memo he sent to the other CEP members that this could have prevented a number of newspaper articles, such as: "The CEP Is Legalizing Macoutism in Haiti."

On 18 July, he asked that the CEP announce, through the press, that it was prolonging the meetings with political leaders to avoid any misinterpretations by people who don't much (?like) them or who are expecting favors themselves, so that they would not be unaware of what might follow.

On 24 July, while commenting on newspaper articles on the meetings with the political parties, in view of certain press releases they had received, the CEP members suggested issuing a statement explaining their attitude. As usual, they didn't put this proposal up for discussion, nor did they vote on it.

Aware of his responsibilities within the CEP, Dr (Lesperance) asks that all CEP decisions, messages to the nation, and press releases henceforth be signed by all CEP members present in Port-au-Prince before being sent to the press; and that such things be sent to the press by the management committee and not by the general secretariat.

The goal of his various interventions was to maintain the homogeneity and unity that should exist within the management committee of the CEP because of the way they were chosen, which results in a certain collegiality which should exist in all their activities, so that the CEP will have a good reputation and so that things can go well, the doctor says.

The doctor adds: It is unfortunate that at present, there is a group that claims paternity of all the CEP's decisions. The doctor says it is this group that gives interviews and does everything else. This group makes commitments for the institution without asking the opinion of the other CEP members.

The doctor says: We constitute a nine-member entity, all entitled to speak and vote, and everyone should be given the floor within the CEP. He says that it is for this reason that he himself is obliged to (?oppose) the apellation of council member that they have given him, which the organic law (?requires of the council). [sentence as heard] He adds that this council, on which he should be, in the capacity of councillor, has never taken this matter seriously and never asks his opinion when they should. They only ask his opinion when they feel a need to do so.

He says that such things are not (?proper) within the CEP. All members should have the right to speak and vote.

The doctor says that in order to avoid any repetition of practices not in conformity with the administration's laws in force, and especially in order to permit them to set in place a structure capable of facilitating the CEP's task of organizing elections—which is a big job—there is a pressing need for the CEP to:

First, formulate the CEP's internal bylaws to set forth definitively the rights, duties, and responsibilities of all CEP members and of the members of the personnel.

The CEP must immediately take all the measures that will allow them to appoint at least a general director, an administrative director, and a director of electoral operations, a sworn in accountant. [sentence as heard]

Such intiatives will free the CEP members of the administrative and financial work that they are currently doing. The CEP's management council will thus be able to devote itself wholly to its mission, which is to formulate the institution's general policy and to control, supervise, and coordinate all the organization activities.

The CEP should publish job descriptions in the press for recruiting of personnel, drawing their inspiration from the established laws on the organization and functioning of the Haitian public administrations. This could spare the CEP some little clashes. Specifically, it would prevent the institution from being open to a number of gratuitous criticisms that are usually made out in the streets.

The doctor said that the best candidates should be hired as staff and should be chosen according to a number of well-defined criteria.

Fifth, once the suggested appointments have been made, the CEP should begin working on programming the CEP's activities, which could result in the writing of the electoral calendar that was being asked. [sentence as heard]

Dr (Lesperance) also said the CEP should not continue to meet without an agenda and without the recording of minutes.

This was a memorandum by Dr Joseph (Lesperance), a member of the CEP, addressed to the other eight members of the CEP.

Former Senator Desulme States Position on Crisis

FL1710161089 Port-au-Prince L'UNION in French No 232, 14-18 Oct 89 p 7

[Excerpts] Former Senator Thomas Desulme, who returned to Haiti after 30 years of exile and drew attention to himself as a presidential candidate by founding the National Labor Party, defender of the cause of "Ti-Joseph" [the Haitian equivalent of "Nobody Q. Public"], received a few journalists Friday morning at the Villa Creole to state his position on the current political situation. [passage omitted]

Regarding the presidential race, Thomas Desulme notes that leaders [preceding word in English] and people who are not disinterested parties are struggling to give the nation a president—whereas the masses don't want one. [passage omitted]

Further on in his talk, he noted that the current political stakes are so high and so serious that there could be a catastrophe in Haiti. This catastrophe could occur because a group of activists and agitators wants to, at any cost and as soon as possible, hold presidential elections.

Although Thomas Desulme is not in favor of the Provisional/Permanent Electoral Council calendar, he would nevertheless not like elections to be held too hastily, either.

To show how patriotic he is, Thomas Desulme says he is ready to collaborate with Lieutenant General Prosper Avril should Avril succeed in legalizing his status as president of the Republic. [passage omitted]

Threats Made Against De Ronceray, MDN

FL1710162289 Port-au-Prince Radio Metropole in French 1600 GMT 16 Oct 89

[Text] Prudence has been the watchword since yesterday within the Mobilization for National Development [MDN] political party. Party leader Hubert de Ronceray this morning gave the media certain information on criminal acts of which the party is supposedly the target.

De Ronceray says that these actions, which were to be taken against both himself personally and his political party, are connected with the ultimatum to revise the electoral calendar that the MDN, the Movement for the Organization of the Country, and the National Agricultural and Industrial Party gave the Provisional/Permanent Electoral Council [CEP]. Here is Hubert de Ronceray.

[Begin recording] [De Ronceray] We did not think of minimizing these threats because we are now in a period of generalized insecurity, in which human life means absolutely nothing to certain people with powerful means at their disposal. We have taken preventive measures and have alerted a number of our partisans. We have also informed the local and foreign press, so that everyone will be vigilant, so that everyone can help us face these new difficulties—difficulties that are, incidentally, not just ours but the entire nation's.

We now know very well that certain people are very displeased with the firmness with which we are waging the struggle for change, the struggle for the triumph of law, justice, and democracy. These enemies of change and democracy, these enemies of free and honest elections in Haiti, are tired of our presence, tired of our leadership [preceding word in English] and would like to either see us keep our mouths shut definitively, or disappear, or leave the country. A campaign, a kind of strategy of fear and terror, has been unleashed against political leaders. Thus, we are all under attack.

We need not identify these adversaries further because we are facing adversaries with whom everyone is familiar.

[Reporter] You say these reports came to you from an information service. Did your service reveal the source to you? Also, do you think these reports are true? You say that they come from high places. What exactly do you mean by high places?

[De Ronceray] Yes. Obviously, we would never have taken the risk of alerting public opinion, alerting the press [very brief fadeout] if these were merely unfounded rumors. We have very precise references. It is not at all in our best interest to reveal any names because we have vigilant friends everywhere, who watch and who inform us. [end recording]

When asked about the deadline of the ultimatum addressed to the CEP requesting that it revise the electoral agenda, Hubert de Ronceray tells us that the final decisions will be made public within a few hours.

[Begin De Ronceray recording] The coalition is in a working meeting right this very minute. We are awaiting noon. It will be noon in 10 minutes. I think that in 1 hour or 1 and ½ hours, you will be receiving the coalition's latest press release stating its position in the face of this refusal by the CEP to follow up on the demands we made in the name of the population of Haiti. [end recording]

Military Presence Halts Petit Goave Disturbance

FL1710183389 Port-au-Prince Radio Soleil Network in Creole 1830 GMT 16 Oct 89

[Report by correspondent (Maxard Metellus) from Petit Goave]

[Text] On Monday 16 October 1989, Petit Goave awakened to find flaming barricades burning in front of Lycee Faustin Soulouque and the school run by the monks. Well armed soldiers were patrolling the town. There were tracts and also slogans written all over the walls in Petit Goave. These tracts and slogans read: "Down with the Avril-Heubreux government"; "The revolution is going to begin"; "This time the watchword will be: 'Decapitate, and burn the house down.'"

At approximately 0800, a rumor began circulating that there was going to be a demonstration and that demonstrators wearing empty pots on their heads and carrying plates in their hands would be taking to the streets. This demonstration never took place because of the presence of the military. However, there were a number of young boys and girls standing at many street corners wearing pots on their heads and carrying plates.

This situation led a number of parents to keep their children home from school. All these things failed to paralyze activities in Petit Goave and everything continued to function normally.

However, because of the political situation in Petit Goave today, the question many parents are asking is: Will students ever manage to spend the first quarter inside a classroom?

Editorial Calls for Mature Relations With U.S.

PA1710001289 Mexico City EXCELSIOR in Spanish 4 Oct 89 p 6A

[Editorial: "Mature Relations"]

[Text] Carlos Salinas de Gortari's proposal—"forging a new relationship of friendship with the United States without myths and mistrust"—represents much more than a political agenda designed to show temporary efficiency or reaching ephemeral points of coincidence. First of all, it takes into account the historical difficulties of a geopolitical relation that has not always been harmonious, as well as unresolved problems. On the other hand, it recognizes that the time has come to "work together to develop the common border, strengthening the identity of each nation in an era of deep world transformations."

Perhaps the essence of that political thesis can be summarized by saying that the time is right for our relations with the United States to enter a phase of overall maturity. Those relations are between two complex, but mutally respectful countries having vast cultural and historical differences, but also sharing a long common border that can be either a means foi contact and enrichment, or for friction and misunderstanding. What Mexico offers is its steadfast determination to forge a nation heading toward progress and modernization. As Salinas de Gortari told George Bush, Mexico wants "to deploy all the potential energy of its social groups and regions." Therefore, Mexico can assume its commitments with its northern neighbor and can also highlight the bright points in those relations. The Mexican president's statement in that regard was clear. He said: "I have come with determination to point out the things we do agree on and the ideals we share, to pave the way toward a future of respectful, united, and friendly relations between neighbors." In this manner, we will not forget the past, but neither we will allow it to become an obsession that obscures our horizon.

Salinas Says Trade Key to Mexico's Future

PA1410134389 Mexico City THE NEWS in English 7 Oct 89 p 1

[By Francisco J. Siller]

[Text] Merida, Yucatan—Foreign trade is the key to Mexico's development and modernization aims, facilitating development and jobs as well as expanding and assuring foreign markets for our products, President Carlos Salinas de Gortari said here Friday after returning from his visit to the United States.

Salinas arrived at 10:40 a.m. aboard the Boeing 757, "President Juarez" that brought him from Providence, R.I.

A band played the National Anthem and a 26-gun salute greeted the President as he stepped off the plane.

Salinas spoke at length on his visit with U.S. President George Bush and the agreements they reached.

"Reciprocity and benefits for Mexico are the bases for the new trade agreement that we have subscribed," he said referring to one of the agreements reached with Bush.

"We obtained the commitment of the U.S. government to support important steps remaining in Mexico's negotiations to complete the agreement on foreign debt renegotiations," the President told a group welcoming him back to Mexico. Key cabinet members and other federal government officials joined State Governor Victor Manzanilla Schaffer to greet Salinas on his arrival following the five-day state visit.

Salinas mentioned talks held with Bush on undocumented workers, narcotics and other topics.

He said he wanted to enter Mexico through Yucatan so he could continue his daily work as soon as possible.

In his welcoming speech, Gov. Manzanilla mentioned the portuary works completed in Progreso and how they will help Yucatan and neighboring states bolster their economies through exports and tourism.

Salinas came to the city by bus to attend a luncheon in his honor and later visited a housing subdivision built by the government.

Stock Market President Reports Boom Since March

PA1710231189 Mexico City THE NEWS in English 11 Oct 89 p 39

[Text] The president of the Mexican Stock market (the Bolsa), Alfredo Harp Helu, said Tuesday that 2.5 billion dollars have been invested in the Bolsa since March. He said this amount includes returning flight capital and new money.

"With the new investment law, capital from all over the world is flowing into Mexico and many (investors) will increase (their) participation when we have more and better money instruments to offer them," Harp Helu said at a press conference.

"We need now to have instruments that are competitive at an international level," he said.

Harp Helu said the Bolsa has matured since the 1987 crash, when the market lost as much as 70 percent of its value.

The Bolsa "has learned the value of electronic data systems" in trading operations, and, more important, investors have more confidence in the Bolsa and are returning, the Bolsa president said.

Now, investors putting money into the highly profitable Mexican stocks "can do long-range planning - just like investors did in the sixties when they did not expect immediate profits and were willing to wait for as long as three years."

Because of the government's opening the Mexican economy to international markets, Harp Helu said the country's stock market has had to move incredibly rapidly to adapt, whereas other nations had four or five years to plan for the same thing. "We have to adjust faster without copying other models. This way we are now ready for international competition."

He said proudly that there are now five Mexican brokerage houses with branches abroad. These will be successful, harp Helu said, because the current trend in the economy is toward reducing interest rates and increasing stock market profits.

Former Agriculture Secretary Accused of Corruption

PA1710232289 Mexico City THE NEWS in English 11 Oct 89 p 4

[Text] Eduardo Pesqueira Olea, former Secretary of Agriculture and Water Resources (SARH) was accused of corrupt practices during his term in office and recalled as Mexican representative to the United Nations Food and Agriculture Organization, a Federal Comptroller General spokesman said Tuesday.

The 260 pound administrative official who has been forbidden to occupy public office for the next 10 years, was said to have benefitted from a series of malpractices.

These took place through the law office of Jorge Arroyo Pedroza in league with Jose Ramon Dosal de la Vega, Eleazar Cota Izaguirre, Guillermo Wallace Andrade, Mario Ignacio Lopez Mota and Oscar Hernandez Mendoza.

Arroyo Pedroza, the go-between in the purchase of "El Carcon" and another large ranch in the state of Morelos, decided to relinquish ownership in the name of Pesqueira and turn the property over to the Comptroller General.

Under questioning, Pesqueira Olea said he owned an enormous tract of land called "El Charcon" in the state but added he had not declared it in his statement to the Comptroller General because he had not finished paying for it.

Spokesmen for the Comptroller General said audits of the SARH ruled by Pesquira during the De La Madrid administration would continue until "everything is accounted for."

El Salvador

Reportage on Government-FMLN Peace Negotiations

Government Peace Proposal

PA1710153989 San Salvador Radio Cadena YSKL in Spanish 1200 GMT 17 Oct 89

[Report from San Jose, Costa Rica by Rene Hurtado—live]

[Text] Here is the Salvadoran Government's proposal for achieving peace, consolidating democracy in the country, and reunifying Salvadoran society. As I said initially, this document was not obtained from the government delegation, but from other sources, because the government has maintained a policy of silence here in Costa Rica. Not until last night was it possible to obtain some information from the government delegation, but this proposal had to be obtained by other means.

It has been learned that this proposal was also sent to the local papers by fax, but it was not released here. The government proposal calls for an immediate cease-fire beginning tomorrow, 18 October, which implies, on the part of the FMLN [Farabundo Marti National Liberation Front] and all its support organizations, a general halt to all acts of aggression or hostile acts that affect national life in the political, economic, social, and military areas, through psychological, armed, or conspiratorial techniques directed against all civilian and military targets—and especially all actions and acts of hostility that affect the civilian population, such as the use of mines or other explosive devices, acts of sabotage against the electrical system, telephone networks, water supply system, and transportation, attacks on work centers and means of production, and all other actions that constitute acts of violence against public order, the physical safety of individuals, and the destruction of government or private property. Such a halt would allow the people to carry out their activities normally and safely.

The government proposes, effective on 18 October, to end all offensive military operations detrimental to the fulfillment of its constitutional obligations, to guarantee respect for the lives, freedom, and other rights of FMLN members, to provide basic medical assistance to those who need it, and to take the necessary measures for them to become incorporated into the country's peaceful and democratic life. The government also proposes to reach agreements for the country's legally established political, labor, and social organizations to carry out their appropriate activities peacefully within a legal framework. It also proposed that agreements be reached on measures to help consolidate respect for human rights and democratic freedoms. Due to the cease-fire agreement, a special government-FMLN operational commission would be created for the practical implementation of the foregoing agreements, and particularly to ensure that the civilian population will be able to carry out all its activities normally and safely, that the lives and physical and moral safety of the FMLN members would be safeguarded, and that they would receive basic medical attention. The necessary mechanisms are to be established to ensure continuous contact with the FMLN.

The International Commmission for Support and Verification, CIAV, which was created by the Tela agreements, would be immediately activated for the supervision and verification of the foregoing agreements.

The proposal calls for an agreement on a plan for the incorporation of the FMLN into peaceful, democratic life, within the framework of the Constitution of the Republic and the Tela agreements, including the demobilization of the FMLN in line with chapters 1 and 3 of the Tela agreements, no later than 15 January 1990.

The proposal calls for measures to be taken to pave the way for the FMLN to become a political party on equal terms with other parties. The government proposes an interparty review of the electoral system to strengthen the democratic process, and that legal measures be taken to enhance the administration of justice in the country. An interparty mechanism would be promoted to encourage economic and social development on the basis of a minimal agreement that will make it possible, with everyone's participation and within the least possible time, to overcome the effects of the crisis, and achieve peace. The government would set the number of troops in the Armed Forces in line with the Constitution of the Republic.

The government of the Republic urges the peoples and governments of the world to firmly support the achievement of peace and the country's overall recovery.

The proposal also calls for an agreement to immediately request that His Holiness John Paul II, the UN secretary general, and the OAS secretary general, honor the country by becoming guarantors, in whatever manner they deem appropriate, of all the foregoing pledges, as well as of the implementation of all agreements emanating from this process of peace and definitive reconciliation of Salvadoran society.

This is the document that was released, or rather that was obtained in the last few hours: the government proposal to the FMLN. It is signed by Minister of the Presidency Col Juan Antonio Martinez Varela, Minister of Justice Dr Oscar Alfredo Santamaria, Dr Danilo Escobar Galindo; Dr Abelardo Torres, and Dr Rafael Hernan Contreras.

Another document that YSKL has obtained exclusively, and that has not been released here, but may be released by the FMLN today, mentions the basic points of the FMLN proposal regarding the cease-fire.

It says: The cease-fire is an initial step toward a definitive end to hostilities. That is why it is linked to the fulfillment of the agreements that guarantee an end to repression, the prevalence of democratic freedom, and respect for human lives.

The cease-fire should be verified by a commission of United Nations observers. For the cease-fire to be definitive and lasting, all offensive military deployments on both sides must be suspended, and geographic limits must be established to separate the settlement areas of the Armed Forces and the FMLN.

This document, which will be released today, states that the cease-fire, as an initial step leading to a definitive end to hostilities, is a basic point of the negotiations. It later adds:

1. Fulfillment of the agreements on measures that will ensure an end to all forms of repression and the complete prevalence of democratic freedoms and human rights as a part of the cease-fire agreements.

2. Establishment of a commission of United Nations observers to ensure effective compliance with the cease-fire by both sides throughout the country.

3. Suspension of offensive military deployments linked to the existence of a state of war, and restriction to garrisons of the paratrooper units and all known rapid deployment battalions.

This document also calls for a suspension of recruitment by force. It says that within agreed-upon limits, there should be free civilian and commercial traffic. It also says that the FMLN will respect the functioning of mayoral and state administrative structures. This document will be released today. These are the documents that the FMLN and government will present.

Today, another document will be presented on the self-purging and professionalization of the Armed Forces. The document says that, from the FMLN viewpoint, we believe the main problem to be resolved concerns the presence of hegemonic groups within the Armed Forces, which have developed large-scale economic and political interests deriving from the war, as a result of which, they are blocking the possibility of reaching a negotiated agreement that will in turn lead to peace.

These groups represent the greatest threat to the development of a real democracy, because they possess the real political power in the country, and determine all the activities of the state, converting the Armed Forces into a supreme judge and omnipotent inquisitor. Therefore, the self-purging must be preceded by a dismantling of the present hegemonic group within the Armed Forces, and must be followed by the adoption of a number of measures that prevent this phenomenon in which hegemonic groups or cliques prevail, and impose their will as a mechanism to contol the Armed Forces and all the branches of the state.

These measures, in turn, must make it possible for members of the Armed Forces to do their duty and fulfill their functions with strict adherence to professional standards and respect for the democratic regime.

Undoubtedly, the FMLN in this document is calling for the dismantling of the so-called big clique [tandona], made up of commissioned officers who hold certain posts in the various military garrisons.

These are some of the documents that are being circulated here in San Jose, Costa Rica, in the Claretian orders' parochial house in Moravia. In the morning, we will be bringing you more information on what occurs here in the second round of this dialogue.

PDC Official Optimistic

PA1710220589 San Salvador Radio Cadena YSKL in Spanish 1200 GMT 17 Oct 89

[Text] The FMLN position is more flexible at the current talks with the government than when they met during the previous administration, the PDC [Christian Democratic Party] secretary general has said. Dr Fidel Chavez Mena believes that the FMLN attitude has changed because they no longer question the country's Constitution. Dr Chavez Mena expressed optimism that the government and guerrillas may reach agreements to put an end to the armed conflict. Chavez Mena added that the dialogue between President Alfredo Cristiani's government and the FMLN is backed by favorable international conditions, and has a greater possibility of reaching an agreement thanks to the previous experiences.

Colonel's Daughter Murdered

PA1710160389 San Salvador Radio Cadena YSU in Spanish 1350 GMT 17 Oct 89

[Text] Unknown individuals this morning at 0710 machinegunned the car carrying the daughter of Colonel Edgardo Casanova Vejar, who was discharged from the General Staff [de alta en el estado mayor]. According to the report, the vehicle, with license plates 136690, was on 5th East Street and 3d Avenue North, near the Belen School in Santa Tecla.

According to the report, the attackers were inside a car with tinted glass bearing license plates 103499. We repeat, the daughter of Colonel Edgardo Casanova Vejar, discharged from the General Staff, was killed in an attack this morning. FMLN urban commandos, when claiming responsibility, said they had launched the attack against the general's home located at the address mentioned before. This version has already been confirmed by the Armed Forces Press Committee.

When the FMLN urban commandos claimed responsibility, they said it was done to demand an end to repression against the working class, to demand the freedom of trade union leader Juan Antonio Diaz Bernal—who, according to the FMLN, is presently in the Treasury Police jail, and to demand an end to Armed Forces and government human rights violations.

Rebels Deny Responsibility

PA1710224289 San Salvador Radio Cadena YSU in Spanish 2115 GMT 17 Oct 89

[Communique issued by the General Command of the Farabundo Marti National Liberation Front (FMLN) in San Salvador on 17 October—read by Carlos Mario Marquez]

[Text] The communique issued by the FMLN General Command to all the Salvadoran people concerning the death of Miss Maria Isabel Casanova Porras, states the following:

1. It is completely false that FMLN urban commando units killed Miss Maria Isabel Casanova Porras.

2. It is not the policy of the FMLN to kill relatives of military chiefs.

3. Once again the government and the Armed Forces have hastily decided to blame the FMLN for attacks. On previous occasions, they have acted in the same manner, and it is later proven that the government's accusations are false, as with the recent assassination of Mrs Edelmira Sanchez de Fuentes, wife of the assistant editor of a San Salvador newspaper. A former death squad member who deserted from the 1st Infantry Brigade said the Armed Forces generally conducts such actions to create confusion.

4. A few hours before the assassination, an attack had taken place at a peace vigil that 7,000 Salvadorans were holding at the Metropolitan Cathedral and the surrounding area. Two persons received bullet wounds and one of them is dying. The people captured and disarmed the attackers, who were carrying identification cards from the Salvadoran Air Force, which is led by General Juan Rafael Bustillo.

5. It is highly suspicious that an incident such as this took place when a dialogue-negotiation meeting is under way in Costa Rica. There is interest in making the FMLN appear to be the group responsible for the attack. These incidents are part of a psychological war plan prepared by the DNI [National Intelligence Directorate], the High Command, and Coprefa [Armed Forces Press Committee]. We call on the Salvadoran people and the international community to condemn these incidents. We must make an effort to stop violations of the most basic human rights.

General Command of the FMLN
17 October, San Salvador

Government Blames Rebels

PA1710213489 San Salvador Radio Cadena YSU in Spanish 1800 GMT 17 Oct 89

["Official communique" issued by the government on 17 October in San Salvador, read by Information Secretary Mauricio Sandoval—recorded]

[Text] The government of the Republic of El Salvador strongly condemns the base and cowardly murder of Ms Dolores Isabel Casanova Porras, carried out this morning by FMLN terrorists in Santa Tecla as the innocent victim was on her way to her sports exercises. This crime, viciously and coldly carried out by the FMLN, clearly shows the world the FMLN is an organization led and made up by individuals for whom human life means nothing.

This despicable crime perpetrated against Ms Casonova Porras confirms the FMLN is implementing a death-like terrorist plan that includes the murder of public officials and their relatives, as the president publicly charged on 14 October. Condemning this new crime by FMLN urban cells, the government asks: How can FMLN leaders in Costa Rica talk of peace and respect for human rights when defenseless persons are being ruthlessly and irrationally murdered on orders from the FMLN?

The government hereby conveys its deep condolences and solidarity to the family of Ms Casanova Porras over this irreparable loss. Moreover, it asks the international community of nations and Human Rights Rapporteur Professor Pastor Ridrejo to take due notice of this despicable human rights violation carried out by the FMLN at a time when the Salvadoran Government delegation is engaged in a dialogue in good faith and with the best political intentions to reach peace, something the Salvadoran people yearn for.

The government holds the FMLN responsible for jeopardizing the dialogue process to reach peace, and hopes that the FMLN adopts a responsible stand, and that its peaceful words are matched by deeds.

U.S. Adviser Asked To Sit In

PA1710181289 Panama City ACAN in Spanish 1702 GMT 17 Oct 89

[Text] San Jose, 17 Oct (ACAN-EFE)—Salvadoran guerrilla commander Joaquin Villalobos today asked that Stephen McFarland, U.S. political adviser to El Salvador, join the talks as part of the government commission.

Villalobos requested this after establishing the presence of the U.S. diplomat at the Claretian Convent about 15 km north of the Costa Rican capital, the venue for the talks between delegates of the right-wing Alfredo Cristiani government and the left-wing Farabundo Marti National Liberation Front (FMLN) guerrillas.

"I have come to find out how the dialogue is going," McFarland said dryly to ACAN-EFE, refusing to comment on Villalobos' request.

"We shall ask that he sit with the government delegation; he is the main shareholder," Villalobos said ironically when referring to McFarland's presence at the dialogue that starts its second round today.

The political adviser has been seen in the corridors near the rooms where the talks are being held. According to

Villalobos, McFarland met separately, "more than once" with the government delegation.

The guerrillas also proposed to the government delegation that members of opposition political parties be invited to the meeting as observers as well, along with members of the so-called national debate, which groups together more than 60 social organizations, and which also sent representatives.

Sources close to the meeting say that there is no agreement to include the foreign politician and members of the national debate in the sessions.

Acting as mediators at the meeting are Salvadoran Bishops Gregorio Rosa Chavez and Marcos Rene Revel, and as witnesses the UN, OAS, and Vatican delegates.

Staff Officers Removal Demanded

PA1710190889 Paris AFP in Spanish 1808 GMT 17 Oct 89

[Text] San Jose, 17 Oct (AFP)—It has been reported in San Jose that the Farabundo Marti National Liberation Front today demanded that 31 colonels and 2 generals, who make up the Salvadoran Army Staff, be removed because reportedly they have stood in the way of a negotiated solution to the Salvadoran conflict.

A proposal for the officers' removal was made today during the second session of the dialogue between rebel leaders and representatives of Alfredo Cristiani's government, which is being held in San Jose.

The officers that the guerrillas want removed include Defense Minister General Humberto Larios, Air Force Commander General Rafael Bustillos, Chief of Staff Colonel Emilio Ponce, the defense and public security deputy ministers, and the chiefs of the National Police, the Finance Police, National Guard, and the country's strongest garrisons.

According to the FMLN, this "hegemonic group has profited greatly from the war and blocked at all times the possibility of a negotiated agreement" between the government and the rebels.

The document also notes: "Once these steps are taken, the officers themselves can purge the Armed Forces through the democratic mechanism of a general assembly, which has already been used at other times."

The dialogue being held in San Jose aims at reaching an agreement on a definitive cease-fire of the war that has resulted in more than 70,000 victims in the past 9 years.

The government delegates have not commented on the rebels' demand yet.

No Agreement Reached

PA1810020789 Hamburg DPA in Spanish 0050 GMT 18 Oct 89

[Text] San Jose, 17 Oct (DPA)—No cease-fire agreement was reached at the end of the 2d day of the current round of negotiations between delegates of the Farabundo Marti National Liberation Front (FMLN) and the Salvadoran Government.

The delegations met in the pastoral house St Clare Convent in Moravia, 4 km from San Jose.

During the dialogue, the delegates became involved in a discussion on implementation of a possible cease-fire and the FMLN insisted that there must first be approval of a plan to amend the Salvadoran Constitution, that the Army be purged, that the repression end, that modifications to the judicial system be started, and that measures be adopted to guarantee the country's democratization.

For their part, the Salvadoran Government delegates insisted that the FMLN must declare an immediate halt to hostilities effective 18 October.

The government proposal indicated that "it commits itself to halt all offensive operations and to offer guarantees to respect the rights of all guerrillas so that they can join the country's political, social, and economic life."

FMLN Commander Joaquin Villalobos said: "We cannot accept the government's conditions for the cease-fire, because that would mean a surrender on our part."

FMLN spokesman Miguel Saenz said: "There are no agreements with the government because there are no concrete replies to our requests."

Saenz said: "Since there is no flexibility on the part of the government delegates, there are no agreements for peace in our country."

Justice Minister Oscar Alfredo Santamaria said: "First we need the FMLN to cease hostilities, then the government will guarantee that the guerrillas can return to the mainstream of society.

Santamaria reiterated: "We want peace, an end to the war, and an end to the killing, the pain, and the bitterness of the Salvadoran people."

UN envoy Alvaro Soto and OAS envoy Ricardo Gjivoje are attending the dialogue as observers, as well as Msgr Gregorio Rosa Chavez, auxiliary bishop of San Salvador.

During the 2d day of talks, there was friction between the FMLN and the government when Information Secretary Mauricio Sandoval openly accused the FMLN of murdering Ana Isabel Casanova [name as received], daughter of Colonel Oscar Edgardo Casanova, director of the Armed Forces Studies Center.

FMLN Commander "Luisa" Mercedes Del Carmen Retana immediately denied Sandoval's charge and said:

"The FMLN had nothing to do with that murder perpetrated today in San Salvador."

The murder also prompted accusations in the meeting by the Salvadoran Government representatives who said: "The FMLN is in the habit of perpetrating this sort of action when important meetings are being held."

The FMLN delegates said: "The charge against the FMLN is groundless."

This afternoon, Msgr Gregorio Rosa Chavez seemed very skeptical about the results of the San Jose talks, "because for the dialogue to succeed it is necessary and urgent that the two sides, the government and the FMLN, yield a little."

It is possible that the dialogue may continue tomorrow when the Salvadoran Government and the FMLN announced they will issue separate press releases.

Costa Rica Government Concerned

PA1810024189 Panama City ACAN in Spanish 0142 GMT 18 Oct 89

[Text] San Jose, 17 Oct (ACAN-EFE)—Tonight, the Costa Rican Government is trying to prevent the failure of the dialogue between the Salvadoran Government and the guerrillas that fell into an impasse, as there is no agreement on the mechanism for signing a cease-fire.

Costa Rican Foreign Minister Rodrigo Madrigal arrived at the site of the meeting, a convent 15 km from San Jose, interested in what progress had been made in the negotiations. He voiced his "concern" over the deadlock in the dialogue.

"We are willing to contribute in whatever way we can, if both parties ask us," Madrigal said.

The foreign minister said he was willing to participate in the negotiations and said that "if necessary," President Oscar Arias "is ready to go to the meeting place."

The president is in telephone contact with the leaders of the delegations and with the mediating commission of the Catholic Church, the Costa Rican foreign minister said.

The Salvadoran Government and guerrillas are negotiating for the 2d consecutive day for a cease-fire to initiate the peace process in this country that has been at war for 10 years, and which has cost over 70,000 lives.

Peace Talks To Continue

PA1810042389 San Salvador Canal Doce Television in Spanish 0348 GMT 18 Oct 89

[Text] A last-minute report from San Jose, Costa Rica, indicates that the delegations of the government and the guerrillas this afternoon decided to continue their talks on 18 October. Sources close to the meeting said the decision was made because of the impasse in the discussions of a cease-fire.

The sources also said that Costa Rican President Oscar Arias Sanchez spoke over the telephone with Salvadoran President Alfredo Cristiani. Arias Sanchez asked Cristiani to continue the peace efforts on 18 October.

Peace Proposal Announced

PA1810052889 San Salvador Canal Doce Television in Spanish 0349 GMT 18 Oct 89

[Text] The General Confederation of Workers, CGT, today announced a peace proposal that was presented on 14 October to the government commission and to Msgr Gregorio Rosa Chavez, auxiliary bishop of San Salvador, who gave it to the rebel commission.

The proposal, the title of which is For Peaceful Permanent Action for El Salvador, includes several points that coincide with the government proposal, but it also makes requests to both sides regarding issues such as amnesty, which have not been discussed at this second dialogue meeting in Costa Rica.

[Begin recording of unidentified man] The Legislative Assembly will issue a general amnesty law for the rebels and political prisoners to allow and foster the guerrilla's resignation or withdrawal from the guerrilla movement. Likewise, the rebels must immediately release the civilian or military prisoners of war they hold.

The law will allow the rebels to fully resume political, economic, and social life, and solutions will be designed to guarantee the security of those who accept amnesty.

2. [number as heard] This refers to the cease-fire. The Armed Forces and FMLN will agree to a bilateral cease-fire as an expression of political resolve to end the conflict. The cease-fire will be supervised by UN peace forces. The peace forces will have free access to the territories controlled by the armies involved in the Salvadoran war. [end recording]

However, just as there are points of agreement, there are also new points in the proposal which the government may not support.

[Begin recording of unidentified man] In order to achieve a cease-fire, it is not necessary for the guerrillas to surrender their weapons. We are aware that their weapons are their guarantee, their calling card, and the main support of their diplomacy. Nevertheless, a change is essential to negotiate peace. [end recording]

However, by changing status, the guerrillas will have to surrender their weapons, according to the CGT, to a peace force, while negotiations are carried out for a definitive cease-fire. The proposal also tells the rebels that once the conflict ends and they have returned to life in society, they will have to publicly announce their formal and definitive break with the Sandinist National Liberation Front, which is currently in power in Nicaragua.

President Receives Visiting General Yeh

OW1410012589 Taipei CNA in English 1034 GMT 13 Oct 89

[Text] Panama City, Oct. 12 (CNA)—The Salvadoran Government conferred the golden medal of special merit upon Gen Yeh Chang-tung, commander in chief of the Navy of the Republic of China [ROC], in recognition of his contributions to the promotion of cooperation and friendship between the naval forces and peoples of the two countries.

On behalf of Salvadoran President Alfredo Cristiani, General Humberto Larios, Salvadoran minister of National Defense and Public Security, made the presentation in a ceremony held at his ministry.

The medal is the highest honor the Salvadoran Government confers upon a military officer.

At the invitation of Gen Larios, Gen Yeh and a four-member entourage arrived in El Salvador on Monday to participate in the Salvadoran Navy Day on Oct 12.

President Cristiani granted an audience to Gen Yeh and his entourage on Wednesday at the presidential office and entertained the Chinese visitors at dinner.

During his stay in El Salvador, Gen Yeh also called on Salvadoran military leaders and exchanged views with them on matters of mutual interests.

Gen Yeh is scheduled to leave El Salvador for Taipei on Friday.

Guatemala

Foreign Minister Ariel Rivera Sworn In

PA1710234689 Hamburg DPA in Spanish 1609 GMT 17 Oct 89

[Text] Guatemala City, 17 Oct (DPA)—New Guatemalan Foreign Minister Ariel Rivera, who was sworn in today, said Guatemala will continue its policy of "active neutrality" with regard to the Central American conflict.

Rivera, who had been deputy foreign minister and served as minister of finance and economy in previous administrations, was educated in France and believes in the role the EEC can play in the future of the area's five countries.

He is credited with reorganizing the Foreign Ministry to expedite obsolete systems that over the past 15 years led to a passive foreign policy role.

As for Panama, the new foreign minister said Rodolfo Lobos Zamora, Guatemala's ambassador to that country, was recalled for consultations. Rivera added that Guatemala will coordinate with other other democratic regimes in Latin America the stance that is to be adopted on this matter, stressing that Guatemala supports the stance recently adopted by the Group of Eight in Lima, Peru.

Honduras

U.S Reaction to Charges Against Regalado Wanted

PA1710162789 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 17 Oct 89

[Text] The Honduran Government, through Foreign Minister Carlos Lopez Contreras, has instructed the Honduran ambassador to the United States to send a letter to U.S. Secretary of State James Baker on the charges against Honduran Armed Forces Chief General Humberto Regalado Hernandez, published in an article in THE NEW YORK TIMES. This is the note that Ambassador Jorge Ramon Hernandez Alcerro addressed to Baker.

Your Excellency: On instructions from my government, I hereby request from the U.S. Government an official reaction on charges that Gen Regalado has presumably embezzled U.S. military aid funds and engaged in drug trafficking. These charges appeared in an article by Luis A. Truson in the 15 October issue of THE NEW YORK TIMES. My government, flabbergasted and deeply concerned over these charges, desires to clear its name from slander as expeditiously as possible, defend the honor of the Honduran Armed Forces Chief, and correct the harm that Mr Truson's article has done to my country's image.

We are also concerned over the harmful effects that these charges seem to have been designed to have in our bilateral relations, which are strong and democratic both regarding security cooperation and economics. The Honduran Government hereby requests the full cooperation, as far as necessary, of the pertinent U.S. agencies in preparing an updated report of the bilateral military assistance THE NEW YORK TIMES article refers to.

We hope such a report will be made public so the honor of Honduras and its institutions can be protected.

[Signed] Ambassador Jorge Ramon Hernandez Alcerro.

Army Spokesman Discusses Affair

PA1810054689 Tegucigalpa LA TRIBUNA in Spanish 17 Oct 89 p 6

[Text] Colonel Miguel Suarez Benavides, public relations director of the Armed Forces, has said the reelection of the current commander in chief, Gen Humberto Regalado Hernandez, "is not the issue."

The spokesman made the above statement while rejecting the possibility that some officer may have been motivated into launching the accusations released last Sunday by THE NEW YORK TIMES, which said Regalado Hernandez used a portion of the arms donated by the United States to sell for personal gain.

"I do not think there is a single officer who wants to harm the institution or the country's image in such a manner." He said the reelection issue was widely covered in the media.

Suarez Benavides said the military institution never talked about the issue and, it is "all speculation; the reelection is not the issue."

He also turned down the possibility that the arms donated by the United States could have been sold in Honduras, because it can only be used by the Armed Forces because of the military equipment's specifications .

Nicaragua

Daniel Ortega Interviewed on Contras, Israel

JN1710092889 Kuwait AL-ANBA' in Arabic
14 Oct 89 p 25

[Interview with President Daniel Ortega by Ahmad 'Ali in Doha and published simultaneously in the Qatari newspaper AL-RAYAH—date not given]

[Text] ['Ali] Mr President, this is your first official visit to an Arab state within a tour of the Arabian Gulf. How do you view this visit, and what are the aims that you aspire to achieve?
[Ortega] This is a historic visit within the Qatari-Nicaraguan relations and the beginning of a new phase of cooperation and understanding. I think that this is a necessary development among states in the southern part of the globe. It is necessary to develop a dialogue on all issues that interest us, especially since we have a common history of struggle against colonialism to win independence, making us closer to one another. This is the first aim of my visit to Qatar and the Arabian Gulf countries. We have come to establish bridges with your friendly country.

We had a good opportunity of beginning the dialogue when I met with the heir apparent His Highness Shaykh Hamad Bin-Khalifah Al Thani in Belgrade on the sidelines of the nonaligned summit. Our dialogue deepened through the talks I held with the amir His Highness Shaykh Khalifah Bin-Hamad Al Thani, the heir apparent, and senior officials. The talks have been fruitful, affirming the deep ties between our two peoples and countries.

['Ali] In your opinion, what are the suitable methods and means to bolster Qatari-Nicaraguan relations?
[Ortega] We are eager to have good relations with world countries through the United Nations and the Nonaligned Movement, as well as through direct relations. That is what we are endeavoring to realize with Qatar, in order to have an understanding on basic problems such as the Palestinian issue, the Namibian issue, and the Latin American issues. We want to reach clear stands on these issues. At the same time, we are working to activate cooperation and exchanges between Qatar and Nicaragua, because we do not want our relations to be confined to talks. We want definite action. This is the important thing.

['Ali] Mr President, allow me to move on to Managua, to the heart of events that are taking place there. Despite your approval of the elections scheduled in February, the opposition is launching attacks against you, emphasizing that these elections will be rigged.

[Ortega] The battle that we fought militarily we are now fighting politically. We have defeated the United States politically in the region. Washington was behind the military offensives against Nicaragua, using other parties such as Israel, which was one of the staunchest supporters of the Somoza regime. The machine guns that Somoza men used to direct at our people were made in Israel. So too were the bombs and ammunition that the planes used against our strugglers and masses.

Over the past 10 years, the United States used Israel to send weapons to the contra rebels, with the aim of undermining our revoluton and exhausting our resources. This was made clear to the world when the "Irangate" scandal was uncovered. However, they could not defeat the Sandinists militarily and, therefore, have transformed it into a political battle connected with the election. The United States and Israel are trying to use some political forces in the country to work against us in order that these agents achieve their masters' aims against our revolution, while continuing to launch military attacks against us.

Moreover, the United States is continuing its policy of imposing a siege on Nicaragua. This constitutes a great challenge to us. The elections will be held in very complicated circumstances. Therefore, we have asked the United Nations, the Central American states, and neutral parties to supervise the elections in February and to expose any U.S. interference and refute any allegations by the Contra rebels.

We are perfectly prepared for the election battle and we believe we will emerge victorious. This will prove to the United States that it has no other alternative but to respect the will of the people of Nicaragua. Our victory will not be easy. It requires further sacrifices from our people, and better political awareness.

The elections will be unprecedented in Nicaragua. Washington budgeted $9 million for its agents. There are also $5 million that were budgeted covertly to support its agents in the elections. The United States also budgeted $66.7 million to back the Contra military operations in the country. Therefore, the elections will be a decisive battle, because it will direct a blow to the aggressive U.S. policy and stress to it that it should seek understanding with Nicaragua.

['Ali] Mr President, under these circumstances, do you see any opportunity for your candidates to win the elections?

[Ortega] Yes, because the people realize that the U.S. policy is the cause of our problems and circumstances, that the Sandinist regime has made several achievements in the interest of the people and development in the country, and that the contras are the side that is demolishing schools and factories and killing innocent people and children, and also because the will of the people cannot be bought by money.

['Ali] You have spoken about the U.S. pressure and the blockade policy against Nicaragua. What are the dimensions of the resulting economic crisis, and what are the means to tackle it?
[Ortega] The military operations against the contras resulted in the wasting of $16 billion. Eventually, this is against the people's interests, because the war had an immense impact on production. Although Nicaragua has great capabilities and resources, and the people have huge production and work capabilities, the circumstances have affected development plans. This year, we set an austerity plan so as to be able to stand fast and to carry out the required development plans. This has cost us a lot from the social aspect because we have relied completely on ourselves. There were no loans or aid, and the United States was behind the World Bank's refusal to help us. We are trying to explain our stand to the world. A seminar on the economy in Nicaragua was recently held in the Netherlands. We believe that this constitutes the starting point to obtain the necessary aid to continue the development plan. During the talks that I held with several West European leaders, I felt their concern over the U.S. policy against us, and its effects on our economy.

['Ali] How do you interpret this U.S. stand toward Nicaragua, and is it possible to establish normal relations between Washington and Managua?
[Ortega] The United States always says that it respects human rights and the rights of the other states, but this is untrue. Although Washington has diplomatic relations with Nicaragua, it violates the Geneva Conventions and international norms. It has been extending funds and arms to the contra rebels for 10 years. The United States is the cause of problems in the world, whether directly or indirectly. U.S. President George Bush has experienced former President Ronald Reagan's policies against Nicaragua. He realizes that these policies have failed and did not achieve anything. This could be a starting point to improve relations between our countries. I believe that we are experiencing the last chapter of U.S. violence, which is witnessing its decisive moments. The end will be the elections battle.

['Ali] Mr President, you have spoken about the U.S. role in supporting the contra rebels, what about Honduras' role?
[Ortega] Honduras violates international laws and norms. The contra rebels live in and launch their attacks from its territory. U.S. forces are also there. The Central American states' leaders signed an agreement on the 7th of last May barring the contra forces from their countries' territories after next December. Honduras is now worried because it should implement the agreement. However, the United States is exerting pressures to keep the contras on Honduran territory. I told the Honduran president that he should expel the contras from his country because he signed the agreement. The president replied that his Army cannot force the contras to leave the country, and then I told him that your Army is then of no use because it is unable to respond to your people's will, and consequently you are executing the will of the United States, because your people want the contras to leave the country. If Honduras does not implement the agreement, then we will resort to the International Court of Justice, because we abide by the agreement. In general, we cannot at all excuse Honduras of the responsibility of supporting the contras.

['Ali] The U.S. President has denied his country's involvement in the unsuccessful coup attempt in Panama last week, despite the fact that several sides have confirmed this. What is your opinion about this, and do you believe that Washington would plan a coup against you?

[Ortega] The coup attempt was a fiasco for the United States because it wanted to use it as justification to seize the Panama Canal. This is the major U.S. objective. However, the situation in Nicaragua is different. Although we admit the ability of the United States to interfere and to do several things, there are limits to U.S. interference.

['Ali] But, do you believe that the United States was involved in this coup attempt?

[Ortega] General Noriega was a close friend of former President Reagan and President Bush. He had numerous friends in the Pentagon and within the U.S. Administration. At that point in time, nothing happened and no charges were filed against him. However, when they attempted to use Panama as a bridgehead for invading Nicaragua, they were surprised by Noriega's refusal. Then, Washington's fury and wrath against the man surfaced, and the charges filed against him accumulated.

['Ali] Mr President, Violeta [Chamorro] was a member of the collective command in Nicaragua. She resigned in 1980 and joined the opposition through the publication of her newspaper LA PRENSA, in which she blasts the Sandinists.

[Ortega] She was never a Sandinist. She never fought with them. However, we asked her to join the collective command, considering that she was the widow of a renowned journalist killed at the hands of Somoza's henchmen. When she found that the collective command was tackling formidable tasks and shouldering grave responsibilities, she preferred to withdraw from the command. This woman has two sons working in the ranks of the Sandinists right now. She also has two sons working with the contras.

['Ali] The Americans rejoiced a great deal when General Miranda defected to Washington, considering that he is a senior Nicaraguan military official. How did the CIA manage to recruit him?

[Ortega] These are methods at which at which the CIA is good. These methods enable it to tempt and recruit the weak.

['Ali] Mr President, you have recently marked the 10th anniversary of the Sandinist revolution. What are the accomplishments that you have scored during these years?

[Ortega] The most important accomplishment that we have scored during the past 10 years is that we reduced illiteracy in our country from 60 percent of the population to only 12 percent. When we took over power, there were no more than half a million students in Nicaragua. Now, we have 1 million students at various stages of education. In addition, we distributed land to farmers; and this is a gigantic accomplishment, as it returned the land to its rightful owners. Moreover, we take pride in the revolution's steadfastness in the face of the U.S. aggression.

However, we must also admit that we suffered big and small failures. One of the big failures we experienced resulted from our attempt to implement a large number of social programs, and also from our allocation of large amounts of money for investment in agriculture. Regrettably, the revenues earned from these projects were limited. These failures acquired special significance, considering the battles with the contras, which cost us dearly. Besides, these failures and battles resulted in an increase in the cost of living. One more thing, we applied measures that do not suit certain villages that have special circumstances. The end result is that these villages have become a haven for counterrevolutionaries.

['Ali] Mr President, despite the great distance separating our two countries, we follow up developments in the course of events in your country and are familiar with your militant stands in the face of all that is targeting you. By the same token, do you follow the developments pertaining to our main issue; namely, the Middle East issue and our conflict with the Zionist enemy?

[Ortega] Of course, after the revolution, the Nicaraguan people became well aware of the situation and problems in the fraternal and friendly states.

Our people are closely following the valiant intifadah being staged by the Palestinian people. They daily see on television the violent Israeli practices against Palestinian women and children. Moreover, our people followed with concern the Iraq-Iran war which was jeopardizing the security of the entire region, and posing threats to world security and peace. We persistently asked the two countries to stop the war to serve the interests of their peoples.

['Ali] Against the background of the violent Israeli practices, do you believe there is a chance for bringing about a just and comprehensive peace?

[Ortega] Israel is the cause of the problem and its stands enjoy the support of the United States. Washington supports the regime ruling in Israel, this artificial entity.

['Ali] How can our heroic Palestinian people regain their rights and establish their state?

[Ortega] The world public must be worked upon so that it can understand the conflict and its dimensions. The West European states and the United States also must be convinced that peace has to be attained, and that this objective cannot be realized except through making Israel implement UN resolutions and withdraw unconditionally from the occupied territories.

['Ali] Mr President, Nicaragua is a member of the Nonaligned Movement. How do you view the Nonaligned Movement's role in today's world? Is there support for the idea of Nicaragua's hosting of the next nonaligned summit?

[Ortega] Relations among the Nonaligned Movement's member states must be bolstered on all levels, as this is the way to strengthen this body's standing and its ability to influence events. We have actually called for holding the Nonaligned Movement's next summit in Nicaragua.

['Ali] The USSR and many other socialist bloc states have begun to pursue new policies, freeing themselves from the rigid and traditional Communist ideas and theories. At the same time, we see some Third World states showing strong adherence to these ideas and theories.

[Ortega] Communism and socialism are neither rigid nor inflexible dogmas or molds that have to be accepted in their entirety. The USSR launched the policy of openness, frankness, and reform. And this policy stipulates that pursuing a single policy line in all socialist states is not a must. This is a positive and constructive idea. It will have great effects, especially in the field of disarmament. Other states will of course be affected by this. The Iron Curtain has been removed, and the two camps have drawn closer to each other.

['Ali] How do you view the future of socialism in the world?

[Ortega] Many people are talking about socialism. There are many countries which profess socialism. What is important is to find suitable solutions to economic and social problems. These solutions must be inspired by the roots and history of each state. What I mean is that the socialism of each country must suit that country's circumstances. It is necessary to see the world states exchange experiences and ideas, because it is dangerous to see these states close the door on themselves, and isolate themselves from the world and its ideas. What is important is to gain independence, to have the freedom to express one's views and opinions, and to wage a real struggle to serve the people. There are numerous ways to realize these objectives. However, the issue must not be confined to articulating slogans and words. Action and tangible accomplishments must emerge through the shouldering of responsibilities. This is what makes a revolutionary.

['Ali] Mr President, allow me to ask you my last question. You have recently toured Western Europe. What was the objective of this tour?

[Ortega] It was a wide-ranging tour. I visited Stockholm to explain to Swedish officials our economic situation and tell them of our aspirations. Then, I continued my tour to gain the economic support that would help us implement our plans, and also to bolster ties with these countries and the EEC. The tour was successful in that I managed to put everyone in the picture concerning the situation in Nicaragua. The officials in Spain, Italy, France, Norway, and the FRG have become aware of the magnitude of the U.S. pressures to which we are being subjected. They are holding a view different from that held by the United States, which believes that military intervention in Nicaragua is necessary. They have also supported our view regarding the need to end military battles and seek a solution to our country's problems through other means.

GDR's Kessler-Led Delegation Ends Visit

LD1710213189 East Berlin ADN International Service in German 1751 GMT 17 Oct 89

[Text] Managua (ADN)—The GDR military delegation, headed by Defense Minister Army General Heinz Kessler, member of the Socialist Unity Party of Germany [SED] Politburo, today concluded its friendship visit to Nicaragua. During a final visit to Defense Minister Army General Humberto Ortega, member of the National Directorate of the Sandinist National Liberation Front (FSLN), the interlocutors affirmed the indestructible friendship and solidarity between the FSLN and the SED, both peoples, and their Armed Forces. The invitation for a Nicaraguan military delegation to visit the GDR was accepted with thanks.

Beforehand, the GDR delegation visited the "Patricio Arguello Ryan" power station.

* FSLN Accords, Economic Programs Discussed

32480189 Nicosia AL-HURRIYAH in Arabic 6-12 Aug 89 pp 29-30

[Interview with Bayardo Arce, deputy general coordinator for the Executive Committee of the Sandinist National Liberation Front [FSLN], by Ahmad al-Shaykh Khalil in Managua: "Sandinist Leader Bayardo Arce Tells AL-HURRIYAH, 'There Will Be No Peace in Our Area in the Wake of Washington's Destructive Actions'"; first two paragraphs are AL-HURRIYAH introduction; date not given]

[Text] A youthful and proud Nicaragua is rising these days in the hustle and bustle of celebrations marking the 10th anniversary of the victory of the People's Sandinist Revolution. As Nicaragua shakes the dust of a war of aggression, which is as old as the revolution, it puts on a new face and celebrates the victory which was forged by workers, peasants, and an army of the poor. Today, these people are marching in steady steps, undaunted by the challenge, in their quest for that future for which the revolution had broken out. The people are walking behind their young leaders to protect and reinforce the achievements of their revolution. They are behind their young leaders to uphold their acquired right to be independent, to determine their own destiny, and to live in dignity and peace.

On the 10th anniversary of the victory of the People's Sandinist Revolution, AL-HURRIYAH Magazine interviewed the leader, Bayardo Arce, deputy general coordinator for the Executive Committee of the Sandinist National Liberation Front. Mr Arce is also a member of the FSLN's National Command. AL-HURRIYAH asked Mr Arce many questions about the Central American peace plan and the daily tasks of confronting the policy of Washington's government. We asked him how the FSLN sees the intifadah [uprising] of our heroic people, which is going into its 20th month.

[AL-HURRIYAH] In their drive to find a political way out of the military conflict which was forced upon them, and in their effort to establish a just and lasting peace, the countries of Central America asserted their political will for the first time. They did that when the second Esquibulas Agreements were signed in August 1987, and when these agreements were affirmed by the leaders of the five countries in the region at the summit meeting, which was held in Costa del Sol in the Republic of El Salvador in February 1989. Now that events are occurring and reactions to those events are shaping up, what is your assessment of what is to become of these agreements?

[Arce] We still consider the second Esquipulas agreements, whose decisions were reaffirmed at the summit meeting of the five leaders of the Central American countries, when they met in Costa del Sol in the Republic of El Salvador, to be sound and very important. We see these agreements as an effective formula that will enable us, if we commit ourselves to implementing them, to establish a stronghold for a just and lasting peace. This would serve the interests and needs of the peoples of the region of Central America in general, and, in particular, it would also serve the interests and needs of our patient and heroic people of Nicaragua.

Confident in the fact that its principles are solid and credible, the People's Sandinist Revolution is eminently qualified today to declare its commitment to such agreements. It is eminently qualified to put into practice a set of daring measures, like releasing 1,800 prisoners who served in the former Somoza Guard and initiating a national dialogue between the country's various political, economic, and social forces. The purpose of this dialogue, which would bring a variety of disparate interests closer together, would be to arrive at common solutions to the economic crisis which Nicaraguan society is suffering from today. This economic crisis is the direct result of the dirty, aggressive war which was forced upon us by American imperialism.

In addition, we took concrete action on our bold decision to advance the date for the general presidential elections, which will be based on the principles of democracy and freedom of expression. The Supreme Council on Elections voted unanimously last June in the National

Assembly (parliament) to accept the lists of names of the opposition's candidates, and to grant 21 political parties legal status and the right to participate on election day, 25 February 1990, in all the polling stations. The president and the vice president will not be the only ones elected on that day: legislative and regional authorities, officials of the autonomous Atlantic Coast region, and representatives of the Central American parliament also will be elected on that day.

In the face of all these measures, and on the basis of the moral values which characterize the People's Sandinist Revolution, we appealed to the governments of Central America to rise to the occasion and meet the obligation they took upon themselves that day when they were inspired, by a sense of nationalism and an awareness about the interests of our people, to sign the second Esquipulas agreements, and then to reconfirm these agreements at the summit meeting which was held in El Salvador.

There will be no peace in Central America, however, as long as the U.S. Government persists in its meddlesome approach of employing a variety of financing policies and contriving incidents when necessary, especially in Nicaragua. Not only does such an approach interfere with the fundamental commitment to the spirit and letter of the agreements, but it also paves the way for the emergence of blatant campaigns aimed at destabilize the countries of the region. To be more objective, it may be said that there will be no peace as long as the economic and trade embargo which America imposed on our country continues to exist. There will be no peace as long as the government in Washington refuses to participate in implementing the peace plan which requires the dissolution of the counterrevolutionary gangs (the contras) who continue to lurk in Honduras. The peace plan also requires that the contras be voluntarily resettled in other countries. In accordance with the peace plan, the contras may voluntarily elect to return to Nicaragua and take advantage of the general amnesty law which was ratified by our national government last year (the Esquipulas agreements).

The answer to your question now lies in the hands of the heads of the countries in the region. They are still steering clear of any action which would fulfill their obligations.

[AL-HURRIYAH] Now that the people of Nicaragua have defeated Reagan's military strategy, in what direction is the new Bush administration moving to achieve the White House's dream of overthrowing the revolutionary government in Nicaragua?

[Arce] This is what actually happened. The people of Nicaragua, fighting side by side with the forces of our Sandinist People's Army, were able to inflict upon the contras and their supporters a crushing strategic, political, military, and moral defeat. It is known that the contras were receiving concrete support from the Central Intelligence Agency and former President Ronald Reagan's administration. That is why the shaky awareness of the ultra-right wing in the United States no longer sees the mercenary gangs as the military tool of choice or the more useful tool to be used to overthrow the government of the FSLN. And yet, when the new administration of President George Bush took over the White House, we hoped that some change might be made in America's aggressive policy against our country. Accordingly, the government of Nicaragua took the initiative and indicated that it was willing to hold direct and frank talks with the Americans based on mutual respect. The government of Nicaragua said it was interested in holding such talks for the purpose of making a commitment to find peaceful solutions to the existing disputes between the two countries.

A short time after President Bush took office, however, it became certain that no serious and effective effort was being made by the American government to indicate its wishes to sign a civilized agreement with our country. In fact, the American government's response was just the opposite. The American administration proceeded to announce that it was rejecting such talks. With enviable foolishness, the American administration reconfirmed the usefulness of continuing the economic embargo. Using pressure and threats, it prevented the remaining governments of the countries in the region from making a commitment to the letter and spirit of the Costa del Sol agreements, and it offered the government of Honduras $60 million to guarantee that the contras would remain on Honduran territory.

Furthermore, the government of President Bush launched a direct propaganda campaign, which it did by mobilizing Nicaragua's right wing opposition political parties. The aim of this campaign was to deligitimize the upcoming elections early enough in order to justify the Bush administration's continuing aggressive policy against our country. It is worth noting here quite clearly that there has been some kind of tactical shift in American policy, which is now trying to create a domestic, political and economic front that is opposed to the government. The function of this front would be to exacerbate our financial crisis by boycotting production and thwarting our efforts to adopt a national austerity policy, whose purpose is to get the country out of the economic crisis which has engulfed us. President Bush's administration thinks that this new policy will enable it to realize the White House's dream of overthrowing the Sandinist government. The Bush administration thinks it can bring back the basic elements of a bourgeois regime which would be loyal to American imperialism, and would be like the past regime of dictator Anastasio Somoza.

[AL-HURRIYAH] Do the economic measures which were adopted recently by the revolutionary government signify that the government is backing away from the FSLN's historic program? What are the possibilities for getting out of the present economic crisis? What would be your evaluation of the standards of international solidarity in this regard? What measures and steps are to

be taken so that the revolution's achievements in recent years can become firmly established?

[Arce] I can confirm that the economic measures which were recently adopted by our country's government do not mean at all that we are backing away from the Sandinist Front's historic program, whose original purpose was to serve the interests of the people of Nicaragua. In fact, these economic measures signify the opposite. The measures you mentioned in your question are nothing more than a controversial way of dealing with the reality and the truth of our country's circumstances in a scientific, flexible manner that is based on the principle of realizing and understanding the need for decisive and sustained action in all fields to defend our revolutionary program. The present condition of the economic crisis which is confronting our course and our revolutionary program is nothing but a direct result of a war of aggression which requires us to make more sacrifices. Besides the fact that 50,000 people have already died and another 50,000 have been injured, this war of aggression requires us to devote large amounts of our material and financial resources (56 percent of the state's budget is earmarked for defense) to guarantee that conditions for defending our national sovereignty are secured. As you can see, this is what is forcing us to adopt harsh austerity measures in some areas of our economic life. We must understand, however, that this amounts to a tax which our people must pay, and an additional sacrifice which they must make with a spirit of patriotism and a high level of revolutionary awareness. I would be revealing no secrets when I tell you that we are inspired by the lessons in sacrifice and heroism which your glorious intifadah [uprising] is teaching us.

We cannot look at the possibilities of getting out of the present economic crisis from the point of view of a possible solution in the immediate short term, especially since the economic damages brought on by the war are estimated to be in excess of $15 billion. The effects of the war have been profound and deep-seated, and getting rid of them in a short period of time will not be easy. Nevertheless, we believe that a policy of reducing the bulk of important expenditures—and such a policy can be implemented by adopting a policy of reconciling the interests of the production sector with those of the agricultural exports sector—will enable us to satisfy the people's essential needs. It will enable us to increase the rate of production and increase hard currency revenues (in the form of liquid cash) to finance basic and essential imports. In addition, it will enable us to meet the international obligations for these imports in a gradual manner.

The aforementioned policy of reconciling interests does not mean the same thing which reactionary circles suggest it means. These reactionary circles misinterpret this policy by saying that it constitutes backing away from our revolutionary plan when the truth is the opposite of that. Our interests now are devoted primarily to strengthening the basic elements of a mixed economy and a political pluralism, provided this mixed economy and this pluralistic system exist under the people's control and rule. This reinforces our idea that in Nicaragua it is possible to live freely, not only by respecting constitutional laws, but also by respecting the people. The People's Sandinist Revolution has certainly been able to live, to thrive, to make progress, and to celebrate its 10th anniversary. It has been able to do that, first of all, because the participation of the Nicaraguan people in the battle to defend the homeland has been solid. The people of Nicaragua fought in the battle of production under difficult and complicated circumstances. Second, thanks to assistance from governments and organizations representing the peoples of the world, and thanks to the honorable national and international solidarity of these governments and international organizations, we stood our ground.

I believe that it is only here in Nicaragua that this new notion of solidarity can be seen. We were able to change the superficial and abstract meaning component of solidarity in the sense of a charitable contribution. In addition, we established a new reciprocal meaning for solidarity. In return for accepting the aid which is offered to us, we would defend in Nicaragua, not only our interests as a nation, but also the rights of other nations, the interests of advanced countries, and the rights of women and children. Furthermore, we would defend people's right to determine their own destiny and make their own history without being subject to any outside intervention.

[AL-HURRIYAH] How do you see the intifadah of the Palestinian people, which is now going into its 20th month?
[Arce] In this interview we cannot cover everything that should be said about the intifadah of your heroic people. I can say, however, that you are offering lessons in the art of sacrifice, steadfastness, and love of the land. You are turning stones into a new kind of weapon which is destroying the arrogance and the myth of the racist Zionist. Your struggle is a window which lets in the light that is strengthening and inspiring all peoples who are struggling to gain freedom and national independence. In steadfast Nicaragua we are proud of the ties of struggle we have with your heroic people, and we cherish these ties. These ties which began with the onset of the revolution, will continue after its victory. We promise your people that we will protect our victory, which is our contribution on the side of your people's struggle against Zionism until final victory.

Panama

Convoy of U.S. Army Trucks Stopped by Policeman

PA1810041989 Panama City LA REPUBLICA in Spanish 17 Oct 89 pp 1, 8

[Article by Servio Correa Loaiza]

[Text] A convoy of three U.S. Army trucks on their way to Central Avenue was intercepted by a traffic policeman on Via Corozal near the Justo Arosemena Institute where the old casino building used to be.

Second Corporal Salazar told LA REPUBLICA that he noticed the trucks had entered through Nacional Avenue and that they were on their way to Central Avenue. He stopped the first truck, and its driver admitted "they were lost."

Salazar immediately informed his superiors through his motorcycle radio, and two traffic patrol cars immediately showed up and escorted the trucks to where they should actually be.

We must point out that U.S. military trucks are already going to Central Avenue, which is a provocation to Panamanians. Besides, such trucks and soldiers (who according to the Torrijos-Carter treaties are stationed in the canal area for "the security of the Panama Canal") are constantly moving through residential and commercial areas of our city, far from their forts and barracks.

This incident is another violation of the treaties, which state that the Americans have the duty to inform the Panama Defense Forces when they plan to move their troops and equipment, so they can be escorted by Panamanian authorities.

Arraijan Mayor Reports 13 Oct U.S. Maneuvers

PA1710220489 Panama City LA ESTRELLA DE PANAMA in Spanish 14 Oct 89 p 1

[Report by Hermes Sucre Serrano]

[Text] Arraijan Mayor Alberto de Santis charged on the night of 13 October that, as the district's municipal council was being installed on 13 October, forces of the U.S. Southern Command caused alarm among the civilian population due to a military deployment that included 14 tanks, 4 artillery-equipped armored vehicles, and 10 airplanes.

"We again protest and make known to the country and the world the enormous psychological pressure which the U.S. imperialist Army has been exerting on the defenseless people of Arraijan, perhaps the ones most affected to date by this type of abuse," a communique of the Arraijan mayor's office stated.

De Santis, who said the maneuvers were not authorized, said: "It is not by chance that this military operation began exactly at the same time in which the district's municipal council was being installed, and when there was obviously a large gathering of citizens near the municipal offices, above which the sophisticated and deadly aircraft flew."

The mayor disclosed that the military vehicles were deployed through the district's corregimientos, causing alarm among the residents. "We have learned that this operation will be maintained in the area of this district for 5 days this week, something that will undoubtedly bring unease and concern to the people," he added.

De Santis alerted the district's six corregimientos, Arraijan, Nuevo Emperado, Veracruz, Santa Clara, Vista Alegre, and Juan D. Arosemena, "to maintain their restraint and discipline so as not to give the invader the excuse for the bloodbath it wants to carry out for a Made in USA [three previous words in English] democracy and freedom."

Embassy Denies Noriega Link With Illegal Firm

PA1710144389 Paris AFP in Spanish 1401 GMT 17 Oct 89

[Text] Mexico City, 17 Oct (AFP)—The Panamanian Embassy in Mexico has denied that General Manuel Antonio Noriega, commander in chief of the Panama Defense Forces, is a partner in "Laboratorios Milano," the Mexican firm accused of manufacturing medicine of doubtful quality, anabolic steroids and exporting them to the United States.

In a letter to Mexican newspapers which was published today, the embassy said that Panama's Social Security Fund had only one transaction with "Milano," namely, a purchase of pharmaceutical products, some of which did not meet the required standards.

"The Government of the Republic of Panama wishes to firmly state that there is no official, personal, or business connection between Gen Noriega and Laboratorios Milano or Mr Juan Javier Macklis Mercado, and it also denies that Gen Noriega is or has been a shareholder in that laboratory."

Macklis owns Laboratorios Milano, and is being held by Mexican authorities who are investigating the case.

Finally, the embassy says that "one gets the impression that the intention is to move to Mexico the worldwide campaign to discredit Gen Noriega and to harm the good, traditional relations between these two sister countries."

Mexican Newspaper Reports Rodriguez' Resignation

PA1710210489 Mexico City EXCELSIOR in Spanish 11 Oct 89 pp 1, 10

[Report by Roberto Vizcaino]

[Text] Panama, 10 Oct—Provisional President Francisco Rodriguez presented his resignation this evening to the General State Council because he disagrees with the measures adopted against bureaucracy and the "war laws" sponsored by General Manuel Antonio Noriega. The council asked him to remain in his post until someone is found to replace him.

Foreign Minister Jorge Ritter also resigned; he will be replaced by Leonardo Kam, Panama's ambassador to the UN.

Abelardo Carles, a 40-year-old economist, will also join the government team as deputy foreign minister.

The resignations caused a commotion this evening in the already tense political situation that prevails in Panama.

Despite all this, President Francisco Rodriguez will be the main speaker at the ceremony to mark the 21st anniversary of the Panamanian revolutionary process, which Omar Torrijos began on 11 October 1968, and which is currently led by Gen Manuel Antonio Noriega.

It was learned here tonight that President Rodriguez, who was sworn in as provisional president on 1 September, does not agree with Gen Noriega's economic and political measures.

His resignation was apparently presented in the afternoon, when, upon Gen Noriega's instructions, it was reported that Panama is facing a grave economic crisis that demands strict budget controls, given the sanctions imposed by the United States.

Consequently, the salaries of 130 Panamanian bureaucrats will be under control effective today, and government employees' raises, payments, and expense accounts, as well as bonuses and other income, have been suspended.

In addition, a new code of conduct has been approved to punish with immediate dismissal bureaucrats occupied in "idleness" or who are inefficient, disloyal, or immoral.

Anyone found to be conniving or conducting actions in support of national or foreign sectors against the state will be tried and jailed.

The provisional president considered the measures an act of repression against state employees, who represent the foundations of the government itself, and should be the basis for broad popular action.

Rodriguez also believes that Gen Noriega, instead of seeking a package of radical laws—"war laws" as he described them—should implement popular measures that will support the citizens.

Rodriguez became provisional president, replacing Manuel Solis Palma—who was also provisional president—after the annulment of the May presidential elections.

Salaries of Noriega, Other Officials Reduced

PA1710142089 Panama City ACAN in Spanish 1345 GMT 17 Oct 89

[Text] Panama City, 17 Oct (ACAN-EFE)—Planning and Economic Policy Minister Gustavo Gonzalez reported today that the salary of General Manuel Antonio Noriega, commander in chief of the Panama Defense Forces, and all high-ranking civilian and military officials was cut this week.

According to Gonzalez, Noriega, the Cabinet, and "all directors of autonomous agencies" of the state have had their salaries reduced by as much as 25 to 30 percent.

The measure is part of the government program to guarantee payment of the government's payroll. Under this program, the special payment of 1 month's salary called the "13th month bonus," all bonuses, and per diem have been temporarily suspended.

The opposition and the United States have asserted on several occasions that Noriega owns property—in Panama and abroad—and has personal effects worth between $200 million and $300 million.

The austerity measures that the government adopted last week were suggested by Noriega, who asserted after the failure of the military coup of 3 October that Panama is "in a state of war" which warrants the adoption of "wartime laws," because—the general said—"the boom times are over."

Gonzalez asserted that "no program to reduce the number of public sector employees is envisioned or planned," as was speculated when the new measures took effect.

In his opinion, however, the government's goal is to reduce the government payroll by 50 percent.

Gonzalez admitted that the reduction in the salaries of the government's upper echelon "is symbolic" and intended "to set an example."

FDP Officers' Wives Worried Over Husbands' Fate

PA1710202089 Panama City ACAN in Spanish 1942 GMT 17 Oct 89

[Text] Panama City, 17 Oct (ACAN - EFE)—The wives of five former Panama Defense Force [FDP] officers, who have been held in a jail in Panama City for over 1 year today, expressed concern over their husbands' fate, stating that they have not heard about them after the foiled coup of 3 October.

The wife of former Major Fernando Quezada, who was arrested with 18 other officers and noncommissioned officers in March 1988, when the previous coup attempt against General Manuel Antonio Noriega failed, told ACAN - EFE that "we do not know where our husbands are. The last time we saw them alive was 30 September."

Quezada's wife expressed concern over the fate of her husband, three other majors, and a captain, who were at the "Renacer" jail, near the Panamanian capital, on 3 October, when the coup against Noriega failed.

All of the wives were called to the jail on Saturday, 14 October, where they were given the personal belongings of their husbands. Without further explanation, they were told that the routine visits on Saturdays were suspended.

Quezada said that she and the other wives have not been successful in their efforts to obtain information regarding the place where their husbands are currently held, even though they have met with FDP officers.

Edna Quezada added: "Captain Humberto Maceas's wife even received her husband's shoes and toothbrush."

In addition to Major Fernando Quezada and Captain Macea, the same situation is shared by Majors Aristides Valdonedo, Luis Carlos Samudio, and Jaime Benitez, all of whom have been accused of participating in a coup attempt against Noriega on 16 March 1988.

It was impossible to get in touch with the Prosecutor General's office, on which the lives of these officers depends, for an official version of their whereabouts.

Quezada's wife insists that her husband "is no longer a military man and therefore must be turned over to civilian authorities. In addition, he has nothing to do with the recent coup attempt because he was in prison when it took place."

According to the "war bulletin" released by the Panama Defense Forces [FDP] after the most recent coup attempt, 37 military men were detained, 10 were killed, and a number of them fled to U.S. military bases.

The FDP so far have not given any information on the fate of those detained as the result of the most recent attempt. These men are "under investigation" to determine their participation in the 3 October events.

While General Noriega reported that these men "have been handed over to civilian authorities, Prosecutor Carlos Villalaz said: "Law 20," which deals with the FDP operations, "will first be applied to those detained."

Officers Transferred

PA1710224789 Panama City ACAN in Spanish 2137 GMT 17 Oct 89

[Text] Panama City, 17 Oct (ACAN-EFE)—A source from the attorney general's office today said that the five former officers detained in a Panamanian jail for more than a year because of their alleged participation in the previous coup attempt, whose whereabouts have been unknown to their relatives for the past several days, have been transferred to other penitentiaries.

"I spoke with Major Reynaldo Cedeno, director of the Renacer jail, and he told me that the former officers were transferred to other jails for security reasons" after the coup attempt on 3 October, the attorney general's spokesman told ACAN-EFE.

Relatives of the former officers said today that they have not heard from them since the day of the thwarted coup attempt on 3 October, and that they do not know where they are.

"We do not know the whereabouts of our husbands, whom we last saw alive on 30 September," the wife of former Major Fernando Quezada told ACAN-EFE. Quezada was arrested along with other officers and officials in March 1988, when the previous coup attempt against General Manuel Antonio Noriega failed.

Quezada's wife expressed concern over the fate of her husband, the three other majors, and one captain, who were at the "Renacer" jail near Panama City on 3 October when the new coup attempt against Noriega failed.

According to the current report issued by the attorney general's office, which is preparing the trials for the previous coup attempt, Major Cedeno today summoned the wives to inform them of new visiting hours at the centers where their husbands have been relocated.

Columnist Reviles U.S. Official Maisto

PA1810053589 Panama City LA REPUBLICA in Spanish 17 Oct 89 p 5

["Vox Populi" column by Luis Restrepo Rosas: "Terrorist on the Lam"]

[Text] He arrived filled with overconfidence. I am Maisto! And he felt he did not need anything else; that that was his calling card; that the natives had to know he was Maisto, who destroyed Marcos and crowned Corazon. Here in Panama the legend was woven about his terrorist activities in that Asian island. It was he, Maisto, who plotted, bribed, and stirred violence in that country. He asked to be called the Filipino and said he, the Filipino, organized the major mass demonstrations and was able to use them to turn them into bloody clashes.

Maisto used to say: It was I, the Filipino, master of destruction and death, who did all of that. He then announced "he had come to Panama to perform a similar task. He began his diabolical work with firmness, tenacity, and evil. He used to say that his job in Panama was to make Panama , its leaders and people, yield. He organized local support groups, indoctrinated them, and handed out plenty of money among those who traded their honor in exchange for despicable dollars.

He used the most sophisticated means of disinformation to destroy us, to harm Panama; he spewed all over the world the toxic saliva of slander, calumny, and libel.

He did not achieve that objective. He crashed against the granite dignity of civilian and military authorities who had the fiber and strength of character to challenge him. He crashed againt the resolve of a patriotic people who slapped his face with the shout: No one backs down here, damn it!

For 3 years, Maisto said that he was the butcher and would cut our jugular. For 3 years he lied, deceived, threatened, sowed hatred and discord among the Panamanians ... 3 years in that terrorist effort to destroy Panama, a peaceful country that harms no one, a working country that had no enemies until the empire created artificial enemies for it, paid enemies who have betrayed Latin America.

In Panama Maisto tried to be a wolf but had to settle for being a snake. He arrived in Panama in triumph but left the way defeated dogs leave: with his tail between his legs. Maisto is gone. However, the empire will send other terrorists disguised as diplomats.

We can be sure that the empire will try to make the weeks that are left until 1 January 1990 critical ones, in order not to confirm the Panamanian administrator of the Canal Commission.

Opposition Leader Ford Returns 17 Oct

PA1710212189 Hamburg DPA in Spanish 2052 GMT 17 Oct 89

[Text] Panama City, 17 Oct (DPA)—Panamanian opposition leader Guillermo Ford returned to Panama today after a 26-day political tour of various countries.

Speaking to the press, Ford said that during his tour he was able to tell the "European democracies that Panama needs democracy."

The opposition politician was met at the Omar Torrijos International Airport by opposition leaders Guillermo Endara and Ricardo Arias Calderon and a group of supporters.

An opposition spokesman disclosed that Ford had been scheduled to return to the country on 5 October but, afraid of being arrested after the 3 October coup attempt against General Manuel Antonio Noriega, he delayed his trip.

Ford visited Jamaica, Great Britain, Spain, Italy, the Vatican, and the United States during his political tour.

Opposition Agrees With Felipe Gonzalez' Proposal

PA1810003189 Panama City ACAN in Spanish 2252 GMT 17 Oct 89

[Text] Panama City, 17 Oct (ACAN-EFE)—The Panamanian opposition today expressed its agreement with Spanish Prime Minister Felipe Gonzalez' proposal calling for new elections and for the retirement of General Manuel Antonio Noriega as commander in chief of the Panama Defense Forces [FDP].

Guillermo Endara, leader of the Panamanian opposition, told a news conference: "We are not afraid of new elections to achieve the country's democratization."

Felipe Gonzalez last week proposed as a formula to overcome this country's political crisis the holding of new elections after a prior agreement between the opposition and Gen Noriega, which would include his presence in Panama and the appointment of a new FDP commander.

Panama's Electoral Tribunal on 10 May decided to annul the elections, arguing that a number of irregularities, including the theft of ballot boxes, were committed. The opposition is claiming victory in those elections.

Panamanian opposition leader Guillermo Ford said that Felipe Gonzalez told him about the proposal during Ford's tour of several European countries.

The opposition leader returned to Panama today from the United States, where he had been staying since early this month prior to the failed coup attempt against Noriega on 3 October.

Ford explained that he told the Spanish prime minister that he "could not negotiate the proposal on behalf of the opposition."

"We are in no way afraid of participating in new elections because the people have recognized the leadership of the ADOC [Civic Democratic Opposition Alliance] as the group which they want to head the government," Ford added.

Ricardo Arias Calderon, another Panamanian opposition leader, announced that he will travel to Costa Rica on 24 October to meet with leaders of the ruling National Liberation Party and the opposition Social Christians to discuss the Panamanian situation.

Arias Calderon said that while in Costa Rica he also hopes to discuss the issue of Panama with some of the presidents and heads of government from more than 20 countries, who will hold a hemispheric summit on 27 - 28 October to analyze the continent's most "thorny" problems.

National Media Director on Station Interference

PA1710175489 Panama City Onda Popular in Spanish 1228 GMT 17 Oct 89

[Report by Mario Echeverria Palomino on statements by Luis Romero Villalobos, director of the National Media Directorate in the Government and Justice Ministry—passages within quotation marks are recorded]

[Text] [Echeverria] Luis Romero Villalobos, director of the National Media Directorate in the Government and Justice Ministry, said that his office is working to locate clandestine radio stations, and that he will deal strictly with disinformers.
[Romero] "The National Media Directorate is currently investigating a...[corrects himself] implementing some mechanisms to locate those responsible for interfering with radio stations' broadcasts and issuing insults and slander against government officials."

[Echeverria] Romero was asked about the Spanish journalist who was expelled from the country and the reasons for his expulsion.
[Romero] "If you are talking about Cano, Antonio Cano, his work—which I have personally read—was not a real article. He slandered and insulted government officials and discredited the Republic of Panama. That is why he was ordered out of the country. We cannot allow the presence of a person who does not abide by the principles of journalism. He is not a journalist; he is a slanderer and a liar."

[Echeverria] Referring to the clandestine radio broadcasts coming from the U.S. Armed Forces, meaning the U.S. Southern Command, he said:

[Romero] "That is what we believe. We suspect that the U.S. Southern Command is responsible, but we cannot prove it. However, we do know that certain seditious persons are still offering to support the North Americans and issue insults, because what they mostly do is issue insults, slander, and dirty words against certain people—most of all the government authorities."

[Echeverria] Romero was asked about Costa Rica's Radio Impacto, which is broadcasting in AM, according to the reports. He was also asked if anything has been done at the diplomatic level and if any results have been achieved.
[Romero] "I believe so. Both our embassy and the Ministry of Government and Justice have been trying to find the mechanisms or the technical means to locate the transmitters and the persons whose sole task is to issue slanderous comments—because that is what they do—through Radio Impacto."

[Echeverria] Romero Villalobos was asked if he would be inflexible toward the local stations and newspapers which disinform or broadcast slanderous reports.
[Romero] "I try...[changes thought] we have been careful with the journalists...[changes thought] I am a journalist too and I could not possibly persecute any journalist as Radio Impacto has implied. I persecute no one; I only persecute slanderers because they are [words indistinct] mercenaries who write articles—like Mr Antonio Cano. We have evidence that he was paid 10,000 balboas to write a stupid article that is quite disrespectful toward the country's authorities and distinguished persons.

"We will be inflexible about this. We cannot allow the continued presence of anyone who comes to our homeland to insult and slander us, just as no one can go to another country to insult or slander anyone—because he would be immediately deported. There is much evidence on this, meaning that other countries deport whoever fails to fully and objectively carry out his role as a journalist."

[Echeverria] Dr Romero Villalobos gave his personal views about the war measures implemented by the executive branch and suggested by General Manuel Antonio Noriega.
[Romero] "We are carrying out the instructions and [words indistinct] not a real war like some people have implied. We are enforcing the law against those who perpetrate a crime or issue false information, slander, and lies."

Minister Gonzalez Invites IMF Mission To Visit

PA1710192689 Panama City ACAN in Spanish 1555 GMT 17 Oct 89

[Text] Panama City, 17 Oct (ACAN - EFE)—An IMF delegation arrived here on 16 October to evaluate Panama's economic and financial crisis and to study a Panamanian request for new loans. The IMF suspended loans to Panama 2 years ago.

The IMF declared Panama ineligible for new loans because in the last 2 years Panama has not paid $1.2 billion owed for servicing its foreign debt ($4 billion).

Gustavo Gonzalez, minister of Planning and Economic Policy, told ACAN - EFE that Panama had invited the IMF delegation because it is seeking a "conciliation" between its creditor banks and "Panama's reality."

According to Gonzalez, Panama decided not to pay its service on the foreign debt, because the government is receiving only 50 percent of the revenue it was getting in 1987, before the United States imposed economic sanctions aimed at overthrowing Panama's "strongman" Gen Manuel Antonio Noriega.

Gonzalez said that since the crisis worsened in 1988, the Panamanian Government is not working with a budget, but with what he called "a cash flow."

According to analysts, the government's revenue has decreased from $1.2 billion to $600 million because of the U.S. sanctions and the political crisis the country is facing, which has created the "lack of confidence" problem.

The U.S sanctions, which have been in effect since March 1988 and might be stepped up in the next few months, include the non-payment of taxes by U.S. companies established in Panama and other U.S. agencies like the Panama Canal Commission.

President Francisco Rodriguez claims that Washington is retaining $400 million as part of its economic blockade. He said that $140 million has been sent to the U.S. Federal Reserve.

According to the last IDB [Inter-American Development Bank] report, Panama's economic crisis has caused its GDP to fall almost 19 percent, the lowest in Latin America. Meanwhile, the government and private enterprises are worried about the 23 percent unemployment rate.

Minister Gonzalez said that the IMF mission—which will be in Panama for about 3 weeks—will be told about the measures adopted by the government to "adapt itself to the country's serious economic situation," and the regulations enacted to "maintain a balance between the country's income and expenses."

Gonzalez said that Panama is trying to "renew" government investment, even on a small scale, through fresh cash obtained from international banks.

Gonzalez told ACAN - EFE that government investment is "extremely low" because revenue is used to meet current expenses, mainly payroll.

Last week, the government appproved several measures aimed at improving the administration, guranteeing the payroll, reducing government spending, and freezing government employee's salaries.

President Rodriguez has also said that new bills are being studied to "solve some problems and injustices," like the

cost of medicine, consumer protection, guaranteeing the price of staples, tax justice, educational opportunities and job incentives.

Rodriguez said that these laws "in no way disrupt the country's current order" and will allow broad participation by all sectors in achieve economic recovery.

Besides, these laws will guarantee "respect for private property."

They will safeguard the existence of the international banking center, and will offer foreign investors the facilities that made Panama "attractive ground" for foreign capital, among them the stability of the U.S. dollar as legal tender.

Minister Receives Taiwan Trade Mission

OW1710133289 Taipei CNA in English 1138 GMT 17 Oct 89

[Text] Panama City, Oct. 16 (CNA)— Panama's Minister of Commerce and Industry Elmo Martinez received Monday at his office a trade mission organized by the Taipei Importers and Exporters Association, the Republic of China.

Led by K. C. Lee, executive supervisor of the association, the 10-member mission arrived in Panama last Staurday for a two-day visit. They were accompanied by ROC Ambassador Soong Chang-chih at the meeting with Minister Martinez.

During the meeting, the minister extended a warm welcome to visiting Chinese entrepreneurs and expressed the hope that Panama and ROC would increase their economic cooperation.

Traditionally, Panama is a stable country, Martinez indicated, adding that the geographical position and convenience in transportation and communications have made Panama a showcase of the world trade.

In addition to the service industry, he said, the Panamanian Government is interested in developing a multisector free zone, in which there will be areas for commerce, processing industry, school, hospitals and other public services.

The Panamanian Government is trying to attract foreign investments in order to revitalize the country's economy and increase employment, a draft of agreement on guarantees for investments with the ROC is being revised by the government and will be signed in the near future, Martinez revealed. The agreement will facilitate the ROC businessmen to make investments in Panama, he added.

Besides, Martinez said that his government has decided to establish an international buying center, in which the import duties on 130 categories of products have been lowered. The preferential duties may be extended to 500 categories of products later on, he added.

Lee, on his part, introduced the organization and operation of the Taipei Importers and Exporters Association. He expected that Panama would serve as a base for promoting ROC products in the U.S. market through cooperations between the ROC and Panama.

The trade mission left Monday for Peru to continue its tour of Latin America.

Archbishop Criticizes Nun's Deportation

PA1810032589 Panama City ACAN in Spanish 0217 GMT 18 Oct 89

[Text] Panama City, 17 Oct (ACAN-EFE)—Panama Archbishop Marcos Gregorio McGrath today described as an "arbitrary action" the deportation to Costa Rica of Peruvian nun Elsa Maria Schaus, who had lived in Panama for 25 years.

"The measure was very arbitrary. The authorities said her deportation was for security reasons, but they did not explain what type of security or the specific security reasons for the deportation. We protest the decision and how it was carried out," McGrath said minutes before presiding over a religious event.

A spokesman of the archdiocese said the Panamanian authorities today deported the director of an important secondary school, but they did not explain the reasons.

Other sources said the measure might have been due to the holding of a school event in which high-ranking personalities of the regime were criticized.

University Group Protests

PA1810032989 Hamburg DPA in Spanish 0218 GMT 18 Oct 89

[Text] Panama City, 17 Oct (DPA)—The university corps for the respect of human rights in Panama issued a communique describing the actions taken against Mother Elsa Maria Schaus Bawer, who today left the country upon the request of Panamanian authorities, as a "violation of freedom."

According to the report, Mother Schaus, a Peruvian who for the past 10 years served as principal of a private school, was summoned twice by immigration authorities, who gave her a deadline of 24 hours—beginning yesterday—to leave the country.

This action by the government, according to the communique, prompted the nun to seek protection at the Apostolic Nunciature in Panama.

The university organization "is asking human rights organizations and the democratic governments of the world to display solidarity toward the Panamanian people, and to protest against these incidents."

This afternoon Mother Elsa Maria Schaus Bawer, 63, traveled to Costa Rica on a commercial flight.

Argentina

Venezuelan President Concludes Official Visit

Menem Speech at Dinner

PY1710101389 Buenos Aires Domestic Service in Spanish 2344 GMT 16 Oct 89

[Speech by President Carlos Saul Menem at dinner to welcome Venezuelan President Carlos Andres Perez at the Plaza Hotel in Buenos Aires—live]

[Text] Mr President of Venezuela, my dear friend Carlos Andres Perez; Mr Apostolic Nuncio; Messrs ministers, secretaries, and officials of the two countries; Messrs government officials; Mr Mayor; military authorities of Venezuela and Argentina; ladies and gentlemen, brothers and sisters:

This morning, in my brief welcoming words I had the opportunity to express my personal satisfaction, that of my government, and that of all the Argentine people, of welcoming to our fatherland the representative of the most continuous and the most durable democracy in South America.

Your visit is particularly pleasant because of the importance given to the Andean situation by our two countries, and because of the Andean origin of the both of us. Mr President: You come from Rubio, a town in the very heart of the Venezuelan Andean mountains, and I come from Anillaco, a small town in the northwestern region of La Rioja Province, right off the La Rioja Andean mountains.

Please allow me now, within the framework of the friendly environment around this table, to invite you to ponder some of the reasons that have led our two countries to adopt almost identical positions in the task of building the great Latin American fatherland.

United by the history of joint efforts and common struggles, our peoples also have shared almost identical responsibilities in the region: Venezuela in the north, promoting the subregional integration process, as a country of key importance within the framework of the Cartagena accords; and Argentina, from the south, strongly promoting an ambitious integration program.

This program, which was initially founded by the joint and essential work we began together with Brazil and Uruguay, is now swiftly expanding toward Paraguay, Bolivia, and Peru, and will soon be projected toward the fraternal people of Chile. It will thus encompass the whole southern cone and its two oceans in a joint effort to achieve Latin American unity.

This common stand is strengthened by our mutually-supportive economies and cooperation prospects. These cooperation prospects are not just the result of a classical and static evaluation of our economic sectors. As well, the enormous trade and economic cooperation potential stems from the maturity represented by our respective productive structures. We are both looking from a technological and industrial point of view, with the mutual capacity to supply food, raw material, and industrial components.

This growing identification of current and potential interests in foreign policy has been strengthened by your speech at the recent meeting of the Group of Eight in Ica on the Venezuelan Government's thoughts and actions toward state reform.

Listening to your speech, I understood that I am not the only one in Latin America who has not been deceived by the appearances of things. You also have the courage to usher the society you have the opportunity to govern into new objectives that better comply with the needs and demands for the development of our peoples.

I am sure that your Venezuelan program for state reform, although it may be technically different from ours, seeks the same objectives and demands the same political thrust and courage to achieve its objective.

You can be sure, Mr President, that you have our understanding, our support, and our assistance if necessary. These are, in my opinion, the reasons that have lead me to invite you to undertake a tenacious joint effort to consolidate the democratic processes of the region, and to promote Latin American cooperation and integrtion.

I know, Mr President, that the consolidation of democracy and Latin American integration are priority objectives in the Argentine and Venezuelan foreign policies.

I also know that a few days ago these common objectives received the maximum political support in Peru where we presidents of the permanent mechanism for consultation and political agreement met to give firm support and to establish concrete steps along a common path.

I want to invite you, Mr President, to strengthen and to expand our support to the so-called Group of Eight, strengthening it as the appropriate place for meetings, thus consolidating it as the sole mechanism for political action at the highest genuinely Latin American level.

One of the decisions adopted by the presidents in Ica, I confess, awakens some expectations in me, and I would like to urge the ministers of foreign affairs, of economy, of finance, and of planning, who will meet in Argentina in December 1989, to design and implement a concrete integration program in Latin America.

Our common Latin American task cannot be limited to action in the economic integration and cooperation organizations, within the political framework of the Group of Eight.

There are other challenges awaiting us, both at regional and on the international levels. Our shared responsibility for the consolidation of the democratic process being initiated by our sisterly nations needs our common support and our generosity that will allow our ideologies to stand out, to create truly common opportunities, and

to promote the effective recognition of the values of regional liberty, solidarity, and brotherhood.

For these reasons, Mr President, your visit is for us an honor, and an opportunity to continue and to strengthen the extensive and sincere dialogue that will allow us to face jointly the challenge presented to you and me by this common fatherland. A challenge not only to our governments, but essentially to our peoples.

For this reason, and as a common practice, I also want to appeal to Almighty God, the source of all reason and justice, to accompany and help us in this essential task of building the fatherland dreamed of by our predecessors, and to achieve the happiness of all Latin American peoples. Thank you very much. [applause]

Perez Speech

PY1710154089 Buenos Aires Domestic Service in Spanish 2354 GMT 16 Oct 89

[Speech by Venezuelan President Carlos Andres Perez during a dinner given in his honor by President Carlos Saul Menem at the Plaza Hotel in Buenos Aires—live]

[Text] Mr President of the Republic of Argentina, my dear friend Carlos Menem; Messrs former presidents of Argentina; Mr Apostolic Nuncio; Messrs ministers of Argentina and Venezuela; Messrs representatives of the Argentine Armed Forces; civilian officials of the Republic of Argentina; ladies and gentlemen:

I fully share the ideas just expressed by the president of the Republic of Argentina because I have come to Buenos Aires to convey my deepest feelings of admiration for the Argentine nation; I want to express a fraternal word of friendship to the people, their representatives, and the government of this fraternal Latin American fatherland.

The history of our nations can be defined as a long struggle to secure democracy and collective well-being. The democracy you are building stems from a consensus of all sectors of Argentine society. Your efforts are encouraging all your Latin American fellow countrymen. We are following with great admiration your dedicated effort to reaffirm it every day.

Argentina was not, is not, and will not be a European enclave, as some nostalgic people from various places have sought to portray it. Argentina is, as proclaimed by its people and its rulers, an integrated part of the true Latin American heritage. Those of us who care for the future of Latin America have fraternally recognized each other through victories, temporary failures, and illustrious men, in the hard march ahead and in our struggle against the crisis.

Since the time of San Martin and Bolivar and in the course of our hectic history, Argentina and Venezuela have shared the same objective of greatness that has been the driving force of our men and women.

Just as yesterday we were linked by our desire for independence and, later, by the making of our republics; today, our crises and difficulties are permanent sources of strength and unity for us.

Longtime foes of Latin America have managed, however, to induce friction and have sometimes succeded in causing an unjustifiable estrangement among some countries of the region.

A trend calling for profound changes is spreading around the world. Old alignments are giving way to new realities. A European community appears as an immediate prospect. Southeast Asia is vigorously emerging. The Soviet Union has launched a reform process that would have been unthinkable a few years ago. Eastern Europe is also undergoing changes. The world is experiencing an unprecedented scientific-technological revolution, never before experienced by mankind.

As in the period of the Renaissance, today the world is required to make urgent changes.

In the face of this outlook, it is proper to ask where does Latin America stand; what proposal do we have for the 1990s; what message are we conveying for 1992; what goal are we setting for ourselves before the end of this millenium; what future are we preparing for the next century?

I am sure Latin America will no longer be regarded by Europe as something unknown or nonexistent. Failure to admit the danger of underestimating Latin America would be a sign of a shortsighted and colonialist mentality by the developed countries. We would be even more shortsighted if we were to fail to realize this.

Latin America is now facing the challenge of creating its own way of solving its problems and of constructing its societies, as President Menem has just said. We cannot be forced to adopt existing models, models which often undergo adjustments and changes. Nor can we be forced to become a sad copy of what is done in other areas.

Today we are facing distressing problems, especially foreign debt and the poverty afflicting large sectors of our populations. We will not measure up to these challenges if we continue to persist in our risky belief that each country can solve these problems on its own, without realizing that even though we may seem to be moving ahead these problems will return. Unity, unity alone is the vigorous instrument that will enable us to build our future. I am not talking about a formal unity that will conform to conventional diplomacy, but a unity that will yield objectives, stratgies, policies, and instruments that will bring all Latin American leaders closer together.

Throughout this decade, while engaging in basic struggles, we have moved closer to unity. This is particularly true now that we are facing growing struggles, crises, and problems. It is a fact that our reality is forcing us today to take joint action to face great challenges and demands.

We are pleased to address this reality because it stimulates our solidarity and offers us opportunities with which to truly fight for a good cause.

The presidential summit we held in Ica, the highlights of which were outlined by President Menem, was prompted by our true dedication. It has paved the way for cooperation, dialogue, and for the implementation of initiatives. It has encouraged us to leave rhetoric aside, to start taking concrete actions, and to raise the conciousness of a Latin America that should have greater confidence in itself and in its united future.

Foreign debt, economic growth, and social balance are the various faces of the crisis. In this decade, which is now coming to an end, we have suffered the devastating consequences of national selfishness and of scattered efforts. Although we have tried the most diverse paths we have always found the same stumbling blocks.

One by one, or case by case, as it is imposed on us, we agreed to honor the servicing of our debt under the conditions established by the IMF and by the international banks. All this has brutally interrupted our growth and has made us net exporters of capital, thus contributing to enriching further the countries of the industrialized North. It has also forced us to the brink of a social crisis of unpredictable consequences.

As I said earlier, it is not a question of not paying the debt: We, the Latin American presidents, agree on this. After all these years there can be no doubt that Latin America has made an effort to honor its international financial commitments. It is just impossible for us to continue to honor our foreign debt under the current conditions without condemning our peoples to endure an explosive, terrible despair. It is a question of bringing into focus the excessive rigor of an international banking system that stubbornly refuses to acknowledge the truth and the obvious fairness of the Latin American proposals.

At the third Group of Eight summit, I expressed my concern at our inability to create the framework that would enable us to markedly improve our bargaining power. We are not saying that we find it necessary and useful for each country to hold individual talks in accordance with its particular economic situation. We are firmly convinced that if these individual or bilateral negotiations are not held within a framework of common guidelines it will be very difficult—if not impossible—to find a solution that will enable us to pay our debt without endangering our economic development and the well-being of our peoples.

Our unwavering desire to strengthen our ties increasingly forms part of a traditional system of relations that seeks to be broad and pluralistic. This goal can be achieved in Latin America only if there is democracy.

Thus, we have tried to enourage the strong democratic trend that has taken place in Latin America in this decade. Along with other Third World countries, we are trying to revive the desire for a North-South dialogue. Argentina and Venezuela have agreed at domestic and international forums that basic agreements are necessary between developed and developing countries to solve the debt and trade problems.

We have rejected confrontation because it is impossible to reach agreement by that means. It is not, however, just a question of renovating the international economic system by establishing a new economic order. True dialogue and cooperation between North and South must also address issues such as environmental preservation, the promotion of well-being, and the struggle against the drug trade.

Our desire to implement concrete actions is reflected by our two basic proposals: a summit of countries of the South, and a summit of countries of the North and the South.

We confirmed this desire at the Belgrade Nonaligned summit and promoted the creation of a group consisting of 15 countries from Asia, Africa, America, and Europe, including Argentina and Venezuela.

That consultative group is also charged with examining the debt crisis and with coordinating policies on subjects such as protectionism by developed countries and the international monetary instability.

Goodwill and mutual respect among nations provide the key to world peace and security. Our two countries are fully identified with the principles of the United Nations. There is an atmosphere of detente in the relations between the superpowers. We demand special attention to ease regional tensions and to solve regional problems within our own context.

We are witnessing a general easing of tensions at a regional level. We see a trend toward national reconciliation and toward the peaceful settlement of conflicts, which must be solved directly by the involved parties, without foreign intervention.

We want to reiterate Venezuela's solidarity with Argentina's legitimate demand for sovereignty over the Malvinas Islands, which are a part of Argentine territory and which, therefore, will return to Argentine sovereignty.

The Tela accords on Nicaragua, and the national reconciliation process that was set in motion by the Salvadoran Government and the Farabundo Marti Liberation Front are encouraging landmarks in this process of pacification and understanding in Central America, which we wholeheartedly encourage and support.

We are concerned about the situation in Panama where a military dictatorship has appeared, a process that was disapearing in Latin America. This happened barely 3 months before the beginning of the transfer of the Panama Canal to its legitimate owner—the Panamanian nation. The transfer should begin with the designation of a Panamanian citizen to the presidency of the joint committee that manages the canal, which is currently headed by a U.S. citizen.

Venezuela maintains that the faithful and timely fulfilment of the Torrijos-Carter treaty is a commitment for which all Latin American nations are guarantors, and which cannot be subject to any type of conditions.

Mr President: Argentine-Venezuelan relations have strengthened through many paths of cooperation, supplemental action, and mutual benefit. We have seen that the channels of communication have increased and that economic, cultural, and political exchange has grown as a result of the common interest that we share and the joint action in which we are engaged.

We are now preparing for a meeting that you, Mr President Menem, proposed for the first week of December in Argentina, to set the specific requirements for integration. This was an undeniable commitment assumed by the Group of Eight. We also vowed to make all necessary efforts to announce to the world in 1992 that the American integration process has been set in motion. That year will mark the annivesary of the meeting of two cultural traditions.

Democratic consolidation and our exchange of views have bolstered cooperation and joint action in the many fields of the development of our resources, our enterprises, and our activities.

This is the decision that President Menem and I made during our talks. We will soon be proud to give Latin America an example of Argentine-Venezuelan cooperation and integration.

I have had the honor of inviting President Menem to visit Venezuela. We have also decided to commit ourselves strongly to implement our initiative in the near future, with the announcement of concrete steps in commercial cooperation and exchange in all areas of bilateral interest. This is the right time to strengthen the friendship ties which unite us and which should consolidate even further the ties of mutual appreciation and understanding. Our objective should be—and it will be—to reach these accords.

The beginning of a new constitutional period in Argentine democracy consolidates a political process in a Latin American nation which has a continental conscience and strong feelings of Latin American solidarity.

I would like to conclude by reasserting our aspiration to open the political arena that should be proportional to our regional potential and to our devotion to the internationalism of our two countries.

This proposal, which is supported by Argentines and Venezuelans, will help strengthen continental solidarity, giving Latin America the necessary weight in the international arena, seeking to undertake jointly the path of integration. This is the only path that will project us into the third millenium with our full capacity for participating in the making of major decisions leading to a world of peace, progress, and justice. Good night. [applause]

Menem-Perez Talks

PY1710115289 Buenos Aires TELAM in Spanish 1353 GMT 16 Oct 89

[Text] Buenos Aires, 16 Oct (TELAM)—This afternoon, Venezuelan President Carlos Andres Perez said: "President Carlos Menem is facing the situation in a decisive manner amidst great difficulties."

Speaking about his talks with Menem, Perez said: "This dialogue is not something sporadic. It is a daily event. Through these meetings, we want to make it more personal and direct."

In a statement to TELAM, Perez said that "like me, Menem is beginning his administration and I wish him great success. I believe that despite great difficulties, he is facing the situation in a decisive manner."

Speaking about the issues discussed during this meeting, Perez said: "The main issues concerned economic exchange and cooperation so as [words indistinct]." He said that "narcoterrorism and the foreign debt are two other important issues that are being discussed."

About Latin American integration he said: "We are facing fewer difficulties than those Europe faced during the two world wars, however, the Europeans succeded in creating the EEC. I am an optimist and I believe that there are many possibilities for integration, particularly now that a crisis is affecting us equally."

News Conference Given

PY1710144089 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1336 GMT 17 Oct 89

[Text] Buenos Aires, 17 Oct (NA)—Venezuelan President Carlos Andres Perez today warned that "the Panamanian dictatorship" jeopardizes the Latin American democratization process. He also confirmed that the Venezuelan court has acquitted Argentine Economy Minister Nestor Rapanelli who was charged with currency exchange felony at the time he was chairman of the Venezuelan grain dealer's enterprise GRAMOVEN [expansion unknown].

During a news conference granted in a downtown hotel to mark the end of his 24-hour official visit to Argentina, Perez voiced his concern over a U.S. draft bill authorizing the U.S. court to arrest "drug traffickers" abroad without coordinating with local authorities. Perez declined to comment on the pardon decreed by President Carlos Menem.

Answering a question, Perez acknowledged that during his meeting with Menem yesterday he confirmed that Rapanelli had been acquitted in the trial in Venezuela that was brought against him following his time as chairman of the grain dealer enterprise GRAMOVEN between 1985 and 1986. GRAMOVEN is a subsidiary of Bunge and Born Group. He said, however, that the decision had not been made public yet because of administrative problems.

Anyhow, he asserted, the Venezuelan court has acquitted Rapanelli of "any responsibility of illegal transactions" and explained that the Supreme Court of Justice now has to solve a secondary issue in the case against the finance minister.

Perez, who is making a tour of Bolivia, Argentina, and Uruguay, pointed out that the Superior Safeguard Court [Juzgado Superior de Salvaguardia] has acquitted former Ambassador Nicomenes Urbano, who was detained for the same crimes Rapanelli has been accused, but has not acquitted Rapanelli because he failed to show up in court and because he named private defense attorneys.

"I think that the Supreme Court of Justice of my country will consider inalienable the right to name a defense attorney—no matter if he is not an official defense attorney—when the defendant is abroad," Perez said.

Perez then said that Rapanelli "will be in the same position as Urbano and will also be acquitted."

Moving on, Perez gave an account of the Panamanian crisis and differentiated between the problem "of the violation of the law and legitimacy" last year following the removal of former President Eric Delvalle and the issue of the Panama Canal.

"This military dictatorship in Panama could [words indistinct] of military dictatorships that Latin America had to suffer over the past few years" Perez warned.

He added that Latin American countries, as guarantors of the Torrijos-Carter Panama Canal treaties of 1977, "can under no circumstances accept noncompliance with these treaties." In this way Perez referred to a statement by the U.S. Congress prohibiting the U.S. Government from handing over the chairmanship of a mixed administration board of the canal to a Panamanian appointed by the appropriate local government.

Perez announced that before the end of the year Argentina and Venezuela will participate in a meeting of the Group of 15—most probably at the ministerial level—of the Nonaligned Movement to prepare for a meeting of the underdeveloped countries seeking a dialogue with the industrialized countries.

He also stated that before the end of 1989 he will call a meeting in Venezuela of Latin American intellectuals, philosophers, and historians, to draft an "American manifesto" with an eye on the 500 years celebration of the "Encounter of Two Cultures" (the discovery of America) that will be commemorated in 1992.

He stressed that the idea of creating a coordinating organization for Latin American financial and trade policies similar to the Organization for Economic Development and Cooperation of the Western industrialized countries "is prospering" within the Group of Eight.

Departs for Uruguay

PY1710141989 Buenos Aires TELAM in Spanish 1354 GMT 17 Oct 89

[Excerpt] Buenos Aires, 17 Oct (TELAM)—President Carlos Menem stated that the visit of Venezuelan President Carlos Andres Perez was "very short, brief," but "positive." The two presidents held talks seeking to reactivate bilateral trade and to expand the agreements on Latin American integration.

Menem said farewell to Perez in the military sector of the Metropolitan Airport. Perez departed at 1115 for Uruguay, another stopover on his tour of several Latin American countries, on board a Venezuelan Air Force plane.

Foreign Minister Domingo Cavallo, Public Works and Service Minister Roberto Dromi, and other officials were also at the airport to see Perez off. [passage omitted]

Joint Communique

PY1810000489 Buenos Aires TELAM in Spanish 2149 GMT 17 Oct 89

[Text] Buenos Aires, 17 Oct (TELAM)— During their meeting which concluded here today, Venezuelan President Carlos Andres Perez and Argentine President Carlos Menem analyzed bilateral relations, the Central American situation, the foreign debt, drug trafficking, and the Malvinas Islands problems.

This is stated in a joint Argentine-Venezuelan communique released by the Argentine Foreign Ministry. The document states that during their meeting, the two presidents made an effort to "strengthen" relations between their two countries within the framework of the "expansion of democracy in the hemisphere" based on "active mutual cooperation."

The communique expresses the "satisfaction" of both presidents "with the political good will observed in Central America for establishing talks to attain a fair and lasting peace in the region." However, the document also points out the presidents' concern "over the prevailing situation in Panama, which must be resolved through democratic mechanisms and faithful compliance with the canal treaties."

Regarding the economic situation, the two presidents stressed the "serious limitations" that prevent the economic growth of the developing countries, "at the same time that our countries are trying to renegotiate the debt" under "the principle of shared responsibility," seeking to obtain a "substantial reduction of the debt service."

The two chiefs of state expressed their satisfaction with the results of the recent presidential summit in Ica, Peru. They also condemned "the serious situation" that affects the region as a result of "illegal drug trafficking and drug abuse," and they reiterated their solidarity with the struggle that is being waged by the Colombian Government.

In the document, President Perez reiterates the Venezuelan will to "recognize the legitimate Argentine rights of sovereignty over the Malvinas Islands and South Atlantic islands," and he asserts his "satisfaction with the resumption of negotiations in Madrid today between Argentina and the United Kingdom."

The two presidents stressed their will to strengthen bilateral relations, and they agreed to improve existing mechanisms of consultation and resolution of Argentine-Venezuelan issues.

Negotiations Conducted With UK in Madrid

Dialogue 'Positive'

PY1710150889 Madrid EFE in Spanish 1404 GMT 17 Oct 89

[Text] Madrid, 17 Oct (EFE)—The Argentine and British delegations, which today in Madrid began negotiations to formalize their relations, termed their first meeting as "positive," but they avoided making any other comments.

Lucio Garcia del Solar, the head of the Argentine delegation and a roving ambassador, limited himself to saying that the session had been "good." he said, however, that "it is still to early to forecast results."

Crispin Tickell, the UK ambassador to the United Nations, was also very laconic.

"It has been a good and interesting morning, a morning of work. I cannot say anything else," he stressed.

After this first session, which concluded at 1330 (1230 GMT), the British delegation invited the Argentine delegation to lunch at a restaurant located in the neighborhood of the diplomatic residence where the meeting took place.

The two delegations will meet again this afternoon in the house of the UK's charge d'affaires in Madrid. Tomorrow they will meet in the house of the Argentine ambassador to Madrid.

The objective of these talks is to eliminate totally the consequences of the war that the two countries fought in 1982, prior to the agreement of a legal formula that will protect the respective positions on the sovereignty of the Malvinas Islands.

Talks Extended

PY1710133089 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1256 GMT 17 Oct 89

[By a special NOTICIAS ARGENTINAS correspondent]

[Text] Madrid, 17 Oct (NA)—Lucio Garcia del Solar, the chief of the Argentine delegation that is negotiating with the British, has maintained that it is "too early" to make an estimate of the results of the dialogue that began today.

The Argentine diplomat and his British colleague, Crispin Tickell, have agreed to extend the talks until 19 October, in other words, 1 day longer than the schedule that was outlined in New York.

Observers close to the Argentine delegation have stressed that at this meeting Argentina intends to start and to maintain the negotiating process, and also make known the formula for the "protective umbrella" that covers the sovereignty issue over the Malvinas Islands.

The sources emphasized that it is Argentina's intention to disregard the effects and the consequences of the conflict, although they denied that it is necessary to declare a cessation of hostilities, because during the past 7 years there have been no acts of aggression by Argentina against the British forces in the South Atlantic.

The six Argentine and six British diplomats continued their talks until noon today in a luxurious room lined with pictures, containing a library, and with a view of the park that surrounds the mansion.

The two delegations shared lunch in the elegant El Melgarejo Restaurant, and they will continue this afternoon with the negotiations.

Tomorrow's meeting will be held at the residence of the Argentine ambassador, [illegible]ola, who was not present because he has just arrived in Spain. His residence is located on Fernando del Santo Street, near De la Castellana Avenue, in downtown Madrid.

Poll Reveals Support for Falklands Negotiations

PY1710184089 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1513 GMT 17 Oct 89

[Text] Buenos Aires, 17 Oct (NA)—According to a poll performed by a private consulting firm in the federal capital and in Greater Buenos Aires, 57.1 percent of those polled said that they are in favor of resuming negotiations between Argentina and Great Britain to solve bilateral problems and the Malvinas issue.

Only 15 percent of those polled said that they are against the talks, while 11.4 percent termed "average" the Menem administration's policy on the subject.

The poll, which was performed by the Center of Studies for the New Majority, concluded that 51.8 percent and 62.5 percent of those polled in the federal capital and in Greater Buenos Aires, respectively, support the negotiations.

Out of 1,000 people polled, 14.3 percent and 10.8 percent, in the federal capital and in Greater Buenos Aires, respectively, are against the negotiations.

The most favorable response to President Menem's policy was elicited from those who voted for the presidential candidacy of Alvaro Alsogaray, 75 percent of whom support the policy.

Among those who voted for Carlos Menem, 62.6 percent of those polled support the policy.

Among those who voted for Eduardo Angeloz, 48.2 percent support the policy. Among United Left members, the vote in favor of the negotiations was 39.3 percent of those polled, while 42.9 percent do not support the government policy.

The poll concluded that there were four positive answers for each negative answer.

Menem, Justicialists Praise Loyalty Day Ideals

PY1710205489 Buenos Aires TELAM in Spanish 1100 GMT 17 Oct 89

[Text] Buenos Aires, 17 Oct (TELAM)—Today on Loyalty Day, celebration of another anniversary of the 17 October 1945 event [the day Juan Peron was released from jail], President Carlos Menem said that just as on that original day "we now have the duty to change Argentina" and "to create a new country with modern, intelligent, updated, and bold institutions."

An open letter signed by Menem was published today by all the morning dailies of the federal capital. The letter, entitled "A Cause for Everyone," says that the 17 October 1945 event "really meant showing the visible country over the invisible, the hidden country over the official country." He adds that "a new country" was born that day.

Menem says: "This is not just a call for nostalgia, or a sectorial celebration, or just a party event commemorating the past. It is not the exclusive property of a political party or the claim of an ideology because justice, freedom, and sovereignty cannot belong to any particular sector. These principles belong to all Argentines of good will."

He adds "in the past it was the symbol of a new era" and that "here and now in this crucial moment it represents the idea of giving birth to a new country."

Menem concludes by saying that "the basic loyalty we should rescue at the doorstep of the 21st Century" is "loyalty to the people; our jobs; the very poor; the people without development, well-being, culture, health, and food."

The National Council of the Justicialist Party also says in an open letter: "Today, 17 October, the image of a new Argentina emerges just as it did in the glorious event of 1945 through the path of integrated democracy, economic progress, social justice, and the participation of the people."

The open letter adds: "On that glorious day the people supporting Colonel Peron, who understood that event better than anyone else, created a political identity which resisted all the changes of the years and now represents the majority of the nation."

The open letter goes on to say: "As president of all Argentines, Comrade Carlos Menem has appealled for national unity as a basis of his administration. In support of his appeal we hope that this new 17 October celebration will contribute to the coexistence we need to look toward the future with hope."

The open letter concludes by saying: "This process of national unity should have Peronism as an example of unity of all representative sectors just as it was on that glorious day in 1945."

Eduardo Cevallo, secretary of public services, said that "just as it was on 17 October 1945 Justicialists are now united in working to give back to the Argentine workers and people a dignified life with social justice."

Regarding Loyalty Day, Cevallo said that "just as in the past the Justicialist Party itself now needs unity, civic courage, and a generous spirit of solidarity to better serve the interests of the country."

Socialist Congress Approves Unity Project

PY1810031689 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2120 GMT 17 Oct 89

[Text] Buenos Aires, 17 Oct (NA)—The seventh national congress of the Popular Socialist Party [PSP] has approved a project to construct a "single socialist party" in the country in order to create, with other party and social forces, a "national and revolutionary alternative."

This convergence will include—although not explicitly specified—sectors led by Christian Democrat Carlos Auyero and Intransigent Party leader Miguel Monserrat, who participated in the deliberations held over the past 4 days in Mar del Plata. Some 250 PSP delegates from throughout the country participated in the meetings.

Present at the meetings also were representatives of the Democratic Socialist Party and the Chaco Socialist Party, both members of the Socialist Unity, along with the PSP.

The work of the meeting lasted 2 and ½ days and yielded some conclusions which [words indistinct] severely questions the current policies of the government and of the two major parties: the Peronist Party and the Radical Civic Union.

The document states: "The nonexistence of a national project to overcome the crisis has led the major parties to increase the practice of a badly named modernization project which essentially focuses on depriving the state of its wealth; on giving goods, enterprises, and resources to private monopolies. It focuses on minimizing its redistribution and assistance role, on associating the national interest with the interest of a privileged sector, and on opening the national economy indiscriminately to the world abroad."

The socialist analysis adds: "An export project for petroleum and agricultural products is being promoted, preventing the growth of the domestic market, increasing

the extreme poverty of the majority, and favoring the extreme wealth of the minority."

The socialist document stresses the "end of the hegemony of the old parties" and adds that "preventing the traditional parties from alternating in power means ending a policy of national submissiveness."

It concludes by stating that the "national and revolutionary" alternative promoted by the PSP "is national because it believes that it is impossible to unify the principles of liberty, social justice, and solidarity, as well as to consolidate democracy in a colonial-minded country.

"It is revolutionary because it believes in the construction of a democracy on new bases where all Argentines and their social organizations will participate in all areas and at all levels, thus strengthening our representative democracy which is today suffering the effects of privileges granted both inside and outside the country," the PSP document concludes.

Military Industries' Situation 'Critical'

PY1710123089 Buenos Aires TELAM in Spanish 2303 GMT 16 Oct 89

[Text] Buenos Aires, 16 Oct (TELAM)—An official report released by the Military Industries states that its current debt amounts to 226 billion australes as a result of the loss of foreign and domestic markets.

The report says that the "economic situation of the Military Industries is extremely critical" because its debt totals 226 billion australes. If the current situation persists, its foreign and domestic debt will increase by over 40 billion australes before the end of the year."

The report adds that commercially the Military Industries "lost foreign markets due to the restrictions that the foreign policy placed in the past few years on the sale of defense equipment."

"The domestic demand decreased as a result of the reduction of budgetary allocations for the Armed Forces and the decline of the economic activity in the country," explains the report.

Concerning technology, the report says that "since the enterprise did not allocate the necessary funds to maintain its facilities the plant has become old and inefficient."

Fishermen Find Plastic Bombs in La Matanza

PY1710141689 Buenos Aires DYN in Spanish 1238 GMT 17 Oct 89

[Text] La Plata, 17 Oct (DYN)—Several types of powerful plastic bombs, partly hidden inside aluminum cylinders, were found last night by fishermen on the northern banks of Morales Creek in the district of La Matanza in Buenos Aires Province.

The fishermen reported their discovery to a police station in the town of Virrey del Pino. Personnel from Virrey del Pino police station and the bomb squad defused the bombs inside the odd aluminum cylinders.

Bomb squad experts have reported that three aluminum cylinders contained various types of plastic bombs which bore inscriptions like LOT-MUM-13/90105, SOMP-BCR/105, M.68/INDUS, and MO2. They weighed approximately 68 kg.

The Moron federal court, headed by Dr Gerardo Larrambebere, is handling the case.

Bolivia

President Paz on Visit of Venezuela's Perez

PY1710152689 Madrid EFE in Spanish 1944 GMT 16 Oct 89

[Text] Santa Cruz (Bolivia), 16 Oct (EFE)—Bolivia President Jaime Paz Zamora has described as a "positive and enriching event" the visit to Bolivia by Venezuelan President Carlos Andres Perez, a visit that ended today.

After bidding farewell to Perez at the "Viru-Viru" airport of Santa Cruz, 903 km east of La Paz, the Bolivian president said that friendship and Bolivian cooperation with Venezuela has been strengthened and enhanced by this visit.

Perez visited the cities of La Paz, Potosi, and Sucre during his 2-day official tour through the Bolivian terriroty.

In a joint declaration, Bolivia and Venezuela confirmed their willingness to strengthen their ties, and agreed to implement [passage indistinct]

Within the cooperation program, the two countries assigned priority to the financial, commercial, agricultural and livestock, energy, health, education, technical, scientific, and cultural cooperation programs.

The two government decided to establish a reciprocal system of visas for government officials holding diplomatic, official, and service passports.

In a joint declaration signed in Santa Cruz, Perez supported the Bolivian position on drug trafficking that was explained by Paz Zamora at the United Nations.

At the United Nations, the Bolivian president said that the struggle against drug trafficking requires greater and more effective international cooperation, a cooperation that respects the sovereignty of the states and their particular problems.

Bolivia also gained Venezuela's support for the Bolivian sea outlet claim, and for the negotiations that Bolivia will soon conduct with the Paris Club in an attempt to solve Bolivia's bilateral foreign debt.

The presidents of Bolivia and Venezuela have proposed a South-South "summit," with the goal of establishing a negotiating strategy to alleviate the foreign debt burden.

Mining Mission Departs for Bangkok Tin Talks

PY1710040889 Madrid EFE in Spanish 2244 GMT 16 Oct 89

[Text] La Paz, 16 Oct (EFE)—Mining and Metallurgy Minister Walter Lea Plaza reported today that Bolivia will ask the Association of Tin Producing Countries [APPE] to include Brazil and China in the group.

Bolivia, which is one of the main tin producing countries in the world, will submit this request during tomorrow's APPE meeting in Bangkok to prepare for the meeting of ministers of tin producing countries scheduled for 1990 in Bolivia.

The Bolivian mission that left today for Thailand is made up of Mining Deputy Minister Carlos Zamora and Hebner Zambrana, chairman of the Chamber of Deputies Mining Commission.

Lea Plaza explained that they will ask the APPE to include Brazil and China in the accord because the two countries have become the main tin producers in the world, and because the free trade of their reserves directly affects international tin prices.

Bolivia, which was considered the largest tin producer in the world 10 years ago, is currently fourth on the list.

Bolivian tin production reached 27,290 metric tons in 1980, 16,136 tons in 1985, 10,933 tons in 1986, and 8,405 tons in 1987.

Tin production experienced an increase of 21.8 percent in 1988, the first increase the 1980's, thus ending with an average annual drop of 23 percent over the past 8 years.

Joint Police Action To Investigate Drug Killings

PY1710121289 Madrid EFE in Spanish 0019 GMT 17 Oct 89

[Text] La Paz, 16 Oct (EFE)—It was officially reported here today that the Bolivian and Brazilian police will work together to clarify the alleged killing of 36 Brazilian pilots by Bolivian drug traffickers.

The Bolivian social defense under secretariat, which is in charge of the struggle against drug trafficking, has issued a communique in which it states that this cooperation will principally concern the Bolivian police and the police from the Brazilian state of Rondonia.

The under secretariat confirmed that Bolivian drug trafficker Gerardo Rodriguez Roman, alias "Yayo", is at large. In its 13 October issue, Rio de Janeiro newspaper O GLOBO reported that Rodriguez has buried 36 Brazilian pilots in his ranch who were killed and their planes stolen.

According to the Bolivian social defense under secretariat, Artur Carbone Filha, the police chief of Rondonia state, which borders with Bolivia, has "appointed two police experts in the struggle against drug trafficking to cooperate in the investigations."

The special antinarcotics force has recently destroyed two cocaine laboratories and 620 kg of cocaine hydrochloride worth $400 million that belonged to Rodriguez Roman.

However, the communique reports that there is no information about the existence of clandestine cemeteries in the eastern and northern Bolivian jungles, except for one grave containing six bodies, which was discovered in the "Montes de Oro" area, in the Beni District.

The communique adds that this finding does not mean that these people "were executed by drug trafficking gangs."

Nevertheless, the social defense under secretariat admitted that there are reports about a "settling of accounts" between drug trafficking gangs.

The O GLOBO report states that "Yayo" Rodriguez used cocaine and dollars to buy the stolen planes. This report adds that the pilots of these planes, who were killed, were buried at the Rodriguez ranch, which is called "La Cruz" and which is in San Ramon, in the Eastern region.

Experts Examine Remains Found in Common Grave

PY1710231889 Madrid EFE in Spanish 1633 GMT 17 Oct 89

[Excerpt] La Paz, 17 Oct (EFE)—The autopsies performed on four bodies found in a clandestine graveyard at a Bolivian prison reveal that the victims were tortured before being shot to death.

The local press today reports that 42 bodies were found in an area 85 meters long by 45 meters wide in a prison located 43 km from Santa Cruz de la Sierra, in Bolivia's eastern region.

Forensic studies by three specialists from Argentina and one from the United States on four bodies chosen at random, reveal that the prisoners were severely beaten before being shot to death.

The existence of a clandestine graveyard, which was reported on 7 October by Gonzalo Ruiz, chairman of the human rights committee of the Chamber of Deputies, is the first human rights violation reported during President Jaime Paz Zamora's administration, which took over on 6 August 1989.

The autopsy revealed that one victim was 15 years old when he was killed about 15 years ago. The body's rib cage was smashed, and the left arm broken, an injury he possibly suffered as he was trying to ward off the blows.

According to the forensics report, the young man was tortured on two different occasions before his death.

Another body examined was that of a 21-year-old man, who was identified as Hernan Callau Flores. The body had wounds all over as well as a bullet wound in the abdomen.

A third body had suffered blows to the vertebrae, several bone fractures, and a bullet wound in the chest.

The autopsies were performed by Argentine experts Morris Tibdal, Alejandro Inchaurregi, and Luis Frondebriden, who have already returned to their country; and by U.S. expert Clyde Collins Snow, who is still in Santa Cruz de la Sierra.

Collins autopsied the body of Nazi scientist Joseph Mengele in Brazil in 1987.

Colonel Luis Camacho, head of the prison known as "Los Espejos Rehabilitation Center," was removed from his post as soon as the clandestine cemetery was discovered. He was remanded to custody at the Santa Cruz Police Headquarters.

Camacho has headed this prison for the past 10 years. The prison now holds 63 inmates, most of them facing drug trafficking charges.

Bolivian officials have said that if Camacho pleads guilty, his case will be turned over to the courts.

Interior Ministry Under Secretary Raul Loayza has said: "We will punish those responsible to the full extent of the law." [passage omitted]

Brazil

Commercial Agreement Signed With Italy

PY1810005889 Brasilia Domestic Service in Portuguese 2100 GMT 17 Oct 89

[Text] Brazil and Italy have signed a historic agreement on bilateral commercial relations. As of 1 January 1990 the Brazilian Government will be able to receive $1.5 billion from the Italian Government.

The agreement was signed today by Brazilian and Italian Foreign Ministers Abreu Sodre and Gianni de Michelis. These resources will be used during the next 3 years in economic, cultural, scientific, and industrial technology activities.

Most of the money—$800 million—will be loaned by Italian commercial banks, with the endorsement of the Italian Government, to finance exports of goods to Brazil.

The remaining money will be channeled to small and medium-sized companies willing to import Italian equipment for the expansion of their production lines. In this case they will have advantageous conditions: payment in 20 years with 5 years of grace, and fixed interest of 1.75 percent annually.

The agreement also includes grants that will be used by ABC [Santo Andre, Sao Bernardo do Campo, and Sao Caetano do Sul industrial sectors], Itamaraty Technical Cooperation Agency, in training personnel, research programs, and the implementation of some programs.

The agreement provides for the implementation of measures to preserve the environment. The negotiations for this agreement began early last year.

State Official Reports Expulsions From Paraguay

PY1710171789 Rio de Janeiro O GLOBO in Portuguese 15 Oct 89 p 11

[Text] Campo Grande—Aparicio Rodrigues de Almeida, Mato Grosso do Sul secretary for land affairs, on 14 October reported that at least 5,000 families (some 20,000 people) of farmers who are working in Paraguay are being expelled from that country by the Paraguayan police. He added that Army troops under the command of a Major Garcia are pressuring the farmers to leave the ranches they have worked for almost 30 years, on charges that they are illegal immigrants.

The secretary said that 300 of the expelled families have arrived in Mato Grosso do Sul. Many families joined the settlers of that state and on 13 October they occupied Santa Lucia ranch in Jatei, Dourados region. Another group of 150 Brazilians were expelled from Paraguay and came to Brazil in two old trucks. They tried to occupy the same ranch but were stopped by the police. Until yesterday they were being held at a gymnasium in the town of Navirai. Today they are scheduled to be transported to the municipal district of Paranhos, on the Paraguayan border, where they will wait for decisions to be made by the Brazilian authorities.

Rodrigues de Almeida added that there were 4 land seizures in less than 2 weeks in the state and that the situation will worsen because there are thousands more families who are willing to leave Paraguay.

* Economists Discuss Cost of Internal Debt

* Debt Alarming

33420096a Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Sep 89 p 3

[Text] The explosive nature of the domestic debt, as a result of the speed of its growth, was the topic of discussion yesterday in the Sixth Congress of Economists of Rio de Janeiro. From May 1988 to May of this year, the domestic debt rose 60 percent, warned former Finance Minister Ernani Galveas. Economist Paulo Nogueira Baptista Junior, of the Getulio Vargas Foundation, cited figures to establish that, from the standpoint of public finance, this debt is more serious for the country than the foreign debt: In March of this year, the Central Bank estimated the foreign debt at $81 billion, whereas the domestic debt had already reached $92 billion.

Of this $92 billion, $32 billion was owed by the federal government and the Central Bank; $22 billion represented borrowing by the states and municipios; and $38 billion was owed by the state companies and decentralized agencies. According to Central Bank data, from 1983 to 1988 the average interest paid annually to

domestic creditors was 13.5 percent, whereas international interest payments stood at 10.5 percent. In other words, the average cost of servicing the domestic debt is estimated to be 3 percent more than is paid annually to the international creditors, Baptista Junior reported.

No Moratorium

If there is consensus regarding the gravity of the domestic debt accumulated by the Brazilian Government, the formulas for controlling it are varied, although all the economists, even those situated to the left of former Minister Galveas, agree on one point: A moratorium could precipitate a flight of capital and bring on hyperinflation.

Economist Paulo Sandroni, Sao Paulo's municipal secretary of planning, argues for an increase in the taxation of private enterprise, as a way to transfer resources from this sector to the government; a cutback in the state administrative machinery; and an end to the transfer of funds abroad.

Economist Baptista Junior thinks it is necessary to combine the adjustment of the primary budget (cutbacks in expenditures and higher revenues) with a drastic reduction in the net transfer of resources abroad. To carry out this policy, without which "there is no salvation," he feels it is necessary to have the support of the domestic creditors, who must give up some of their rights.

Former minister Galveas also defends an increase in taxes, in combination with the sale of state property and the privatization of the state companies, as the BNDES [National Economic and Social Development Bank] has been doing.

* Cost of Domestic Debt

33420096a Rio de Janeiro O GLOBO in Portuguese 10 Sep 89 p 3

[Article by Cristina Alves]

[Text] The policy of maintaining high interest rates—today considered the only weapon to combat inflation—is leading the Brazilian Government to disburse about 2.4 billion new cruzados per day to pay the interest on its notes held by the public. This figure is calculated on the basis of an interest rate of 1.57 percent per day on a total debt of almost 150 billion new cruzados, which turns around continuously in the "overnight" [preceding word in English].

Despite the volume of funds expended constantly, only 75 million new cruzados are collected daily as taxes on the "over" [preceding word in English]. This is because the tax is fixed at 35 percent and is calculated only on the real gain; that is, that which exceeds the inflation.

The difference between 2.4 billion and 75 million new cruzados is borne by society. Someone has to pay for the "gap" and, preferably, everyone pays. So what are the benefits of this very costly policy?

High interest rates impede the flight of resources to speculative investments, such as gold and the dollar, force the spawning [as published] of stocks, and leave companies loaded with money derived from financial applications.

The profits which the companies will distribute to their shareholders are fat, but, offsetting this, the strategy leads to putting off productive investments and the economy does not grow. The level of indebtedness of the companies falls because no one risks paying higher interest rates on loans in the future. And they do not stick new money in the banks.

If this policy does not help the country to grow, there are those who also guarantee that reducing interest rates at this point would provoke a disaster. This is emphasized by Jose Julio Senna, former director of the public debt, of the Central Bank, currently director of the Banco Boavista.

"Discouraged by a decline in the return on their money, people could unleash a wave of consumption and thus further stimulate the inflation. The rush to the dollar on the unofficial market would be almost inevitable," the economist declares.

By the end of this year, the government will have yet another challenge. Aside from balancing the policy of high interest rates with the attempt to stabilize the inflation, it will also have to roll over half of this debt which will be coming due in December.

If it cannot achieve the rollover, the government will have to issue currency to honor the matured notes.

Jose Julio Senna, former director of the Central Bank, notes that the real interest rates (above inflation) of 4.7 percent in August represent an annual rate of 73 percent, considered brutally high. The probable 3.4-percent rate for this month means an annual rate of 50 percent, taking into account an inflation rate of 32 percent for the period.

Aside from the United States in the early 1980's, a significant international example of high interest rates is that of England today. Despite a fiscal surplus, the British Government's lack of credibility with the public forced the increase in interest rates. Today, the real rates are at 5.5 percent per year, in an economy in which the annual inflation rate is 8 percent.

In Senna's opinion, the government is today disposed to pay a high price to maintain high interest rates, so as not to witness an explosion of inflation and of currency trading on the unofficial market. If this occurs, the corrosion of wages will be even worse, as he sees it. This policy is costly, basically, because the paper which serves to roll over the public debt is the same paper with which the government is attempting to conduct monetary policy. In other words, any change in interest rates has repercussions on the government debt.

Jose Senna believes that the present government is hardly in a position to extricate itself from this policy without real trauma, because it lacks public confidence and support. It will fall to the next administration to reorient the role of the state in the economy, drastically reducing expenditures and encouraging the privatization of companies, assures Senna, stressing the importance of the resumption of heavy social investments.

By May of next year, the Brazilian Government will have to disburse 136.7 new cruzados to honor the maturing National Treasury Financial Notes (LFT's) on the market today.

Timetable for Maturing LFT's Currently On Market

Month of Maturity	Principle	Interest	Total
Sep 1989	1,962	7,499	9,461
Oct 1989	3,688	11,621	15,309
Nov 1989	4,991	12,449	17,440
Dec 1989	3,651	7,809	11,460
Jan 1990	9,750	15,306	25,056
Feb 1990	5,082	6,216	11,298
Mar 1990	9,649	5,221	13,870
Apr 1990	11,724	5,665	17,389
May 1990	13,498	1,889	15,387

(Figures in millions of new cruzados)

Source: Central Bank of Brazil

Payment With Assets

Economist Antonio Kandir, professor of the University of Campinas (UNICAMP) and researcher for CEBRAP [Brazilian Analysis and Planning Center], is one of the few individuals who comes up with new proposals for the old theme of the Brazilian public debt and the financing of the public sector. He explains:

"It will not do simply to think about a fiscal jolt at this time. A tax increase of 7 to 8 percent of the GDP [gross domestic product] is practically impossible. What must be done, as I see it, is to trade part of the debt for stock in the government."

According to Kandir, one-fourth of the Brazilian public debt (or about $37 billion new cruzados) could be turned into shares of stock in state companies: in short, a combined program of debt reduction and privatization. For the other three-fourths of the debt, the professor proposes negotiation with the creditors and extended payment periods. It is also suggested that domestic public debt notes might even be exchanged for foreign notes.

"The first step, in this case, would be to suspend interest payments on the foreign debt for 1 and ½ years and then propose the trade," explained Kandir. "The advantage to those who traded titles would be the opportunity to index the earnings on the notes to the fluctuations in the exchange rate. Then the government should promote a fiscal adjustment (including a cutback in personnel and an increase in public revenues) on the order of 4 percent of the GDP (or about $14 million)," he explained.

Guilherme Cavalcante, superintendent of revenues of the Mercantile Credit Bank, agrees that the present interest policy is burdensome to the government, "but the cost is still small compared to the risks of hyperinflation.

"Today, the level of liquidity is high, there is a good deal of money in circulation and companies are not willing to risk taking out loans," he said. "No businessman today is prepared to pay interest rates of 70 to 75 percent per year on top of the monetary correction, to have money in the bank."

According to Jose Carlos Oliveira, director of the National Association of Open Market Institutions (ANDIMA), the solution to the problem of the domestic public debt lies in an exchange of LFT's for other paper.

"The LFT is a mistake because it anesthetizes the system. If we had the LTN [National Treasury Note] or OTN [National Treasury Obligation] as a longer term note, for example, there would not be any great problem with the change in the interest level. The way it is today, there is even a perverse aspect of the policy of high rates, which is that it generates income and can provoke increased demand, since everything turns over in an extremely short time," he observes.

* Figures on Size of Informal Economy Contested

33420096b Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 Sep 89 p 9

[Text] Brazil's informal economy does not exceed 13 percent of the GDP [gross domestic product], according to data of the Brazilian Institute of Geography and Statistics (IBGE). Claudio Monteiro Considera, chief of the institute's Department of National Accounts, guaranteed yesterday that any other estimate is false and that the whole of

Brazil's informal economy, except as it involves illegal or criminal activities, is visible to the IBGE.

Considera was present at the forum of debates on "The Evolution of the Informal Economy and Microbusiness" sponsored by the Sao Paulo State Federation of Commerce. His main reason for being there was to contest a study by businessman Nelson Barrizzeli, director of Vendex do Brasil, according to which half the Brazilian economy is underground. Considera was thwarted, however, because Barrizzeli had been detained in New York and could not attend.

Considera explained that the input/output tables used in measuring the level of activity in the economy make it possible to identify the informal portion of the economy as a whole. The IBGE keeps track of 600 groups of products in 300 sectors of activity, cross-checking the data for production of raw materials with those of finished products. In addition, it uses such indicators as consumption of electric power and demographic and employment statistics, comparing the results in this group with those observed in the economic statistics. By this method, he explained, the IBGE expanded by 12.9 percent the results of the economic statistics in base-year 1980. The results for the last 9 years are being verified, but Considera does not believe there has been a rise in this index in the most recent period. "On the contrary, the informal economy is being institutionalized," he declared. In 1970, it represented 16.5 percent of the GDP. Considera also announced the IBGE estimate for the performance of the GDP this year: a growth of 1 percent, according to the institute's preliminary studies. Considera says the economy is behaving this year as it did in 1981.

* Contradictions in Economic Situation Viewed

33420094 Sao Paulo VEJA in Portuguese
9 Aug 89 pp 18-24

[Text] Brazil, which was the country of the future in the 1960's and 1970's, might now, by analogy, be labeled the land of paradoxes. Seen from a certain angle, the Brazil which is approaching the 1990's has the shape of a nightmare. Seen from another angle, however, the country might suggest a dream. It is as though Brazil today were half Dr Jekyll and half Mr Hyde, like the man in the classic novel—a country which has not yet decided whether it will disembark in the next decade as the monster Hyde or the benefactor Jekyll. The government is governing less and less, the state has reached bankruptcy, the country's foreign credit came to an end long ago, and we are living in anticipation of hyperinflation, which has been delayed for the moment by the skillful juggling that has so far produced three electrocutions of the economy under this administration alone. There are plenty of reasons, then, for saying that everything is going badly in the wholesale business—and in the retail business as well. Real interest rates are the highest on the planet, "long term" means a maximum of 30 days as far as commercial transactions are concerned, wages are continuing to stumble along in the race against inflation, and so on.

But when it comes to employment levels, the profitability of firms, and the solvency of the private sector, who is talking about a crisis? Unemployment is currently at its lowest level since 1980. The profitability of private firms is comparable to that of the period before the crisis of the 1980's—and in some cases it is even better. Last year, according to data from the BNDES [National Bank for Economic and Social Development], companies invested in equipment and expansion as though there were no crisis at all. At the same time, however, there has never been so much fear of what is coming. Back around 1970, then President Emilio Medici made the controversial statement that under his administration the economy was doing well, but the people were doing badly. Today it can be said that the economy is doing badly, but the companies are doing very well. Therein lies the paradox. There is talk of recession, but there is no unemployment. There is talk of a crisis, but no one can point to any major companies that have failed in recent years—except those well-known cases of poor management or fraud which failed to foresee in time that gesture of solidarity on the part of the National Treasury which has been so frequent in the history of the Republic. There is talk of the state's bankruptcy, but most private companies are continuing to show glittering profits year after year.

"If we had to base our plans for the future on the current situation, in which we are experiencing the syndrome of permanent disaster, we would not do anything," says the deputy chairman of General Motors of Brazil, Andre Beer. That GM executive is amazed at the macroeconomic indicators, just as Brazilians in general are amazed, but the fact is that the firm he heads will record the same production figures this year that it did in 1980, when it placed 220,000 units on the domestic market—the record for the decade. So GM's car is far from being affected by the permanent disaster its copilot is talking about. But the fact remains that the 1980's have been hellish. In a civilized and predictable country, the thunderbolts that have streaked across the skies would have been capable of felling mammoths the size of IBM in the United States, Volkswagen in the FRG, or Matsushita in Japan. In conditions far less adverse, to take only one example, the FRG's powerful Telefunken went down for the count in 1982. The blows that knocked out Telefunken had the punch of someone like Maguila. The drubbing taken by Brazil in this decade of the 1980's has been worthy of someone like Mike Tyson—and the impressive thing is that even so, no major company has been felled.

The country has had the biggest recession in its history. Interest rates have gone into the stratosphere. The inflation rate has exceeded 100 percent per year since 1980, the only exception being the frozen year of the cruzado. Under the current administration alone, there have been three disastrous price freezes. There have been three

currencies, four ministers of finance, and six chairmen of the Central Bank—the last of whom abandoned ship in the midst of a scandal in the financial market. There was even a general strike. There has been—well, what hasn't there been? But despite everything, and like those monsters in animated cartoons that grow stronger with every discharge of electric energy, companies in Brazil are exhibiting apparent good health. It is obvious that up to this point, a lot of time has been lost and a number of distortions have been created. "An extremely profitable type of investment has grown up in this country," says economist Celio Lora, manager of Price Waterhouse. "It is speculation in inflation curves."

The paradox is not easy to explain. Listen to what the executives of multinationals operating in Brazil have to say. During a recent cocktail party at the American Chamber of Commerce in Sao Paulo, two stories illustrating the situation made the rounds. In one of them, it was related that the chairman of IBM of Brazil, Rudolf Hohn, had spent a long time at a board meeting of the corporation in the United States explaining how it is that the subsidiary he heads manages to be the most profitable of all the company's subsidiaries throughout the world even though confronted with such an unfavorable situation in the economy. Hohn may not have cleared up all the questions, but the Brazilian subsidiary's billings in 1988—no less than $1.1 billion—certainly dispelled any doubts. Along the same lines and at the same party, it was also said that the chairman of Brazilian Gessy Lever, Umberto Aprile, spends a good share of his time at meetings in Rotterdam, Holland, which is where Unilever's main office is located, explaining how he manages to cope with day-to-day life in a country where a week seems like eternity.

Rising inflation, swollen staffs, too much debt concentrated in short- and medium-term loans, low productivity, and very high inventories are all troubles which afflicted company life in one way or another at the start of the 1980's, but now they are only a more or less distant memory for the Brazilian economy's leading companies. To get through the crisis and enter the paradox, the firms have had to adapt and undergo a lengthy treatment. The result is a remarkably special situation: The adverse factors which characterized the start of the state's crisis—high inflation, high interest rates, real devaluations of the currency, and even the economic shocks—have now wound up being transformed into instruments for increasing profits.

Anyone wandering through the administrative offices of American Stores, which has its headquarters in an extremely modest building on Sacadura Cabral Street near Maua Square in Rio de Janeiro, finds it hard to realize that he is at the nerve center of a group that billed $460 million during the first 6 months of this year. Projected revenues for 1989 are far higher than the $693 [million] recorded last year, when profits totaled 12.3 percent. Sitting in rooms separated only by Formica dividers, American Stores executives fire off purchase orders for merchandise and monitor the firm's inventories and cash from within a spartan structure.

That is the current situation at American Stores. But the picture was different back in 1981 and 1982. Although its billings were hovering around $250 million at the time, the company was forced to make rigorous cutbacks throughout its organization. Those cutbacks were so far-reaching that in 1 hour's time, American Stores laid off a battalion of 6,500 employees—40 percent of its personnel. "We were too big; we had too many employees, and a major adjustment was necessary," says Carlos Alberto Sicupira, the firm's chairman. He joined the American Stores board of directors just after a stormy stockholders' meeting at which it had been announced that the Guarantee group had acquired a controlling interest in the company.

"The company was suffering from poor financial management," says Sicupira. Financial management—those two words help explain part of the paradox. In addition to its personnel cutbacks and its association with an investment bank, American Stores paid loving attention to its financial management. To such an extent, in fact, that in 1984 it acquired the Universal Finance Company from the Supergasbras group. That marked a radical change in the philosophy followed by the chain store, which had been established by American businessmen in 1929 and had always had a policy of cash sales. With its acquisition of the finance company, it began financing its customers' purchases. On another front, and following the example of competing chain stores and supermarkets, American Stores began paying more attention to inventory management, thus earning money from the credit terms allowed by its suppliers.

"That is not exactly true," Sicupira protests. "Actually, when we have a certain time within which to pay, the difference is already built into the price." In any case, the company is doing a good job of protecting itself from inflation and economic instability. "In an inflationary system, a company's financial results are very different from its accounting or operating results," says Lora. The fact is that in periods of high inflation, it is common for companies to earn more money from their financial investments than from the sale of their products. And if a company has sizable purchasing power, it is naturally able to impose longer payment terms on its suppliers and increase its income from investments in the financial market. And that brings us to another explanation for the private sector's good performance: the fact that the firms have reduced their indebtedness to the minimum.

A survey conducted by Sao Paulo University's Accounting, Actuarial, and Financial Research Institute Foundation (Fipecafi) and based on the adjusted balance sheets of 175 industrial firms shows that short- and long-term liabilities currently represent only 33 percent of the total resources with which those firms operate. By way of comparison, another survey conducted by Sao Paulo University reveals that recent debt levels in the developed countries are much higher. Indebtedness

amounts to 75 percent of total resources in the FRG, 81 percent in France, 71 percent in Japan, 61 percent in Great Britain, and 56 percent in the United States.

"Actually, only 16 percent of the liabilities of major companies are in the form of bank debt," says Prof Ariosvaldo dos Santos, who was one of those involved in the Fipecafi survey. "The rest consists of amounts owed to suppliers, taxes, and social welfare contributions." Under those conditions, and unlike what happens in the developed countries, an increase in interest rates does not make the firms poorer by burdening their liabilities. The firms get richer. In 1987, for example, when the government was paying a real interest rate of 19 percent on overnight money, financial investments by the firms were responsible for 29 percent of their income. In 1988, when the real interest rate was 34 percent, company income from that type of investment went up to 58 percent.

On that point, we need to mention a few details which may help dispel to some extent the perplexity felt by boards of directors like those of IBM and Unilever. We are talking about transfers, both direct and indirect, from the public sector to the private sector—transfers which helped create the state's deficit and which turned into revenue for the firms. Between 1983 and last year, the Central Bank spent no less than 9.7 percent of GDP [Gross Domestic Product]—something like $34 billion out of a GDP of $351 billion in 1988—solely on financial charges connected with its domestic debt. Moreover, the private firms, which had contracted foreign debts throughout the 1970's, took care to rid themselves of those debts by passing them on to the state in the form of deposits in the Central Bank.

In 1979, one-third of the foreign debt was owed by the private sector. Ten years later—in December 1988—only 13 percent of that debt was still owed by private firms. The rest was owed by government-owned enterprises, the states, and the municipalities as well as the Federal Government. Since the public sector—with rare exceptions such as Siderbras [Brazilian Iron and Steel, Inc.]—does not generate dollars, it has gotten the worst of the deal: It is forced to purchase the export earnings of the private firms while being careful at all times to keep the exchange rate devalued in order to avoid problems with the balance of payments.

There is more. Since the end of the 1960's, the state has maintained a huge arsenal of facilities intended to encourage investment or improve the performance of firms in specific segments of the economy. Those facilities are the incentives, tax reductions or exemptions, and so on which, combined with direct subsidies or credit subsidies, help to fatten the private sector's earnings. At first, tax exemptions or subsidies were justified as being a means of encouraging investments in places such as Amazonia and the Northeast or in activities such as wheat production, which it would have been difficult to develop without those facilities. Time passed, and the investments were made, but the facilities in question were not ended once the initial objectives had been achieved. In some cases, they have been expanded and even included with pomp and circumstance in the Constitution, an example being the incentives relative to Amazonia and the Northeast. In December 1987—the date of the latest survey by the Central Bank—something like 9 percent of GDP was transferred to the private sector in the form of tax exemptions and subsidies.

So the state has contributed significantly to the good health of the firms. As U.S. economist Milton Friedman says, there is no free lunch. It can be said, then, that the state has paid for part of private enterprise's lunch. It paid because it wanted to, and that deserves to be said: The firms did not hold a demonstration in front of Planalto Palace to demand that its tenant provide them with benefits. Nor did they knock on the minister of finance's door to insist that he keep public rates on a diet—which is another way of transferring wealth to the firms. They may have asked, but the one who did the giving did so because he wanted to.

But they also made their own efforts to adapt, their objectives being to ensure greater liquidity and increase purchasing power so as to bargain for better terms with their suppliers. To pursue those two objectives, several companies did not hesitate to alter their productive structure by acquiring or selling plants. Du Pont of Brazil, which currently has 1,600 employees, operates five plants in the areas of agricultural inputs, electronics, textile fibers, and mining, and expects to bill $410 million this year, is one of them.

In 1986, Du Pont sold its explosives plant in Barra Mansa in the State of Rio de Janeiro to Britanite, thus abandoning a sector in which it did not feel sufficiently competitive. "We did not have sophisticated technology, and we decided to get out of the business," says Henrique Ubrig, the company's deputy chairman in charge of finance and operations. In that same year, Du Pont offset that move by exchanging control of Polidura—its paint division—for a 23-percent interest in Renner. Last year, as part of the same overhaul, Du Pont of Brazil and Ducilo, the same U.S. group's subsidiary in Argentina, were integrated into a single structure.

"We are seeking greater synergy in the commercial and technical areas and in our range of products," says Ubrig. In this case, integration has a clear advantage when it comes to the rationalization of purchases. The two subsidiaries acquire raw materials from five major suppliers in both Brazil and Argentina and pay a total of $23 million to acquire 11 products. "This strategy provides more flexibility in managing the crises in both countries, rationalizes investments, and permits specialized production." Flexibility and the good sense to take advantage of opportunities to expand markets while reducing costs—that is another lesson learned by the firms during the crisis of the 1980's.

The Vicunha group learned how to take advantage of opportunities. In 1980, when its spinning and weaving operations resulted in billings of $200 million, that firm

had little debt. In 3 years' time, Vicunha acquired control of Fibra (a member of the Swiss SGK [expansion unknown] group and one of this country's largest manufacturers of synthetic raw materials), Lee Clothing, and other firms associated with those two groups. The result was verticalization of its production—an operation that was later rounded out by investments in cotton plantations. "It is at times like these that most firms invest," says Jaks Rabinovich, the group's chairman. "When there is no crisis, industry has a tendency to get comfortable."

Naturally, the squeeze was even worse for firms depending on the state as purchaser or coordinator of investment projects. But even in that universe, several firms made their adjustment and are now profitable—although they are operating with idle capacity. "There was a great desire to promote horizontal growth that would drastically reduce imports," says Einar Kok, manager of Romi Industries, Brazil's largest manufacturer of industrial lathes. The crisis forced Romi to revise its operations. "We abandoned a few money-losing projects and concentrated solely on the manufacture of our most profitable lines," says Kok. Among the items it dropped were vertical boring and turning mills and ultraheavy machining equipment, which Romi has not produced since January. Kok says: "Anyone who wants that type of equipment will have to import it."

Taking a different approach but executing the same movement toward a reorientation of their areas of activity were firms in the engineering sector. Method, which is a construction firm established in 1973 by engineers Victor Henrique Foroni and Hugo Marques da Rosa, suddenly found itself affected by the crisis in the public sector. Until 1980, three-fourths of its $36 million in billing had come from government contracts—generally involving the construction of housing projects. A good share of that income therefore slipped out of its pocket—either because payments began to be delayed or because projects were canceled or cut back. The construction firm, which had started the decade with 1,300 employees, began cutbacks that left it with 400 employees at the end of 1983.

"We had to restructure and look for another area of activity," says Victor Foroni. The obvious solution, which was to look for construction projects in the private sector, required much more than an aggressive sales policy. In competing for public-sector projects, there was no concern for the quality of the work done by contractors. "What counted was price," says Foroni. When he tried to sell his services to the private sector, it was a different story. "The consumer is much more demanding and in times of crisis, the market is much more selective," he says. Method then had to train its manpower to meet the demands of that new consumer. In 1986, it wound up establishing a company called Neolabor specifically to provide support in training its personnel. The results were very good: in the area of stonemasonry, for example, Method increased its productivity by 50 percent—in other words, it now puts up a wall in half the time that was required 4 or 5 years ago. The consequence is that Method, which now has 2,000 employees, billed $100 million in 1988, and $80 million of that was earned from the private sector.

"The firms have increased their productivity in recent years," says Joao Paulo Velloso de Andrade, managing partner of Cesat, a consulting firm. "The thing that is hampering even further gains in productivity is the barrier represented by automation." In the garment-making industry, traditionally regarded as labor intensive, it has been possible to reduce labor costs to 30 percent of total costs. That is good, of course, but much more could be done. "In the rest of the world, manpower in that industry now accounts for only 10 percent of costs thanks to automation," says Andrade. Despite the gains in terms of efficiency, there are reasons to believe that Brazilian firms can do much better in that respect.

Consultant Marcio Orlandi, managing partner of Arthur Andersen, has been coming across the same situation as he evaluates the results of programs he has developed for a number of clients. One of them, a manufacturer of PVC tubing that billed $300 million in 1988, achieved a reduction of from 66 to 95 percent in the time spent on the production line. Another client—a multinational manufacturer of rubber products for the automotive industry—reduced its working inventory by an average of 70 percent. "Companies in Japan are fighting for 5-percent gains in productivity," says Orlandi. "There is still a very large margin of inefficiency in Brazil."

The firms have unquestionably demonstrated a concern to increase their efficiency—and that is encouraging. But they are a long way from the extremes reached in Japan. Orlandi cites the case of the industrial manager of a Japanese firm whose identification badge was changed to read "manager of production stoppages." He had to roam the factory, displaying his new job in the company and feeling uncomfortable, until he succeeded in reducing machine downtime due to incidents on the assembly line from 60 minutes to 10 minutes per working day. Only then did he get his old badge back with the inscription "industrial manager." "Firms here can afford to be inefficient because the market is protected," complains Orlandi. That is true—but it is also true that Japanese firms are protected by the state, a fact that has not led them to drop the ball when it comes to efficiency. No matter how low the dollar falls in relation to the yen, they continue exporting to the United States at prices that hurt the competition. That is called competence. In Japan the state intervenes to help, not to confuse things.

Seeing that the firms have cash on hand, are free of debt, and are exhibiting eye-catching profits regardless of how well their efficiency measures up to internatinal standards, the current topic of discussion is whether those good results are based on solid foundations or likely to collapse like a house of cards. Businessmen look at the figures surrounding the financial collapse of the public sector and do not hesitate for a moment: "It is the state that is having a crisis." But recent attitudes on the part of

the firms are pointing in a different direction. In the first place, the firms have begun diversifying their financial investments, which were previously concentrated almost exclusively in the overnight market. The rise in gold and dollar prices on the parallel market throughout the first half of this year, with the spread on the black market coming close to 200 percent, illustrates that diversification. Despite the high interest rates on overnight money, firms such as Dow Chemical currently keep only 20 percent of their cash resources in the open market. Their most sizable investment today is in the sale of dollar futures in the markets. "We have 40 percent of our cash assets backed up by gold," says Sergio Haberfeld, superintending manager of Toga, the leader in the packaging and labeling industry.

"Businessmen are realizing that their cash balances are not worth as much as it says on the books," says economist Luiz Gonzaga Belluzzo, formerly head of the Ministry of Finance's advisory group under Minister Dilson Funaro and now secretary of science and technology for the State of Sao Paulo. His reasoning is simple: In recent years, the firms have built up cash resources and, instead of using them to invest, have put them into securities which, in the final analysis, are backed by government bonds. With high interest rates and daily mobility guaranteed by the overnight market, the firms have been able to brighten up their balance sheets and take advantage of the best opportunities for increasing profits. The only problem is that in the middle of it all, the state's financial crisis has gotten so bad that the only way the government can continue to finance its expenditures now is through inflationary measures. This opens up the possibility that the assets being sheltered by private firms in financial investments will suffer a loss in value—or what former Minister Antonio Delfim Netto likes to call "a weak kick at the debt."

Things do not have to get that bad. But even though it is protected by other securities, strong currencies, or real assets, the private sector's liquidity is running the same risk. All it will take is a decision by a company with solid positions in gold and dollars to sell those assets and buy a factory, and its assets will lose value. First of all, because the price of gold is dropping. Second, because it is probable that the factory will be overpriced. "The result is a drop in the value of assets," says Belluzzo. The problem, in brief, is that the private sector has built up a much greater volume of financial investments than what the economy is capable of producing in merchandise. Since there is too much money combined with a lack of goods and products, the initial assets drop in value.

For the moment, the gradual acceleration of inflation has served as a regulator of the situation. For how long it will do so is a difficult question: the only thing certain is that in recent months, hyperinflation has become a real possibility. Much more than a theoretical digression and much less probable than we were led to believe by the price adjustments that followed the end of the freeze in June, hyperinflation has come be be part of the possible scenario. According to the line of reasoning followed by economists such as Funaro's former adviser, hyperinflation appears to be one solution—the most brutal one—for resolving the conflict represented by the fact that the whole is less than the sum of its parts. "Since somebody has to lose but nobody wants to let go of anything, it is hyperinflation that will determine the outcome," says Belluzzo.

Senator Roberto Campos likes to say that "the sight of the gallows usually has the effect of concentrating and clarifying people's thoughts." Following a line of reasoning opposed to that of Belluzzo, Campos advocates a broad reform of the economy that will privatize government-owned enterprises, establish an independent central bank capable of controlling the issue of currency, and deregulate foreign exchange. Those measures alone would reduce the public deficit, slow inflation, and ensure the return to Brazil of a good portion of the $30 billion which Brazilians have sent abroad in recent decades. The winds of deregulation which prevailed during the 8 years of Ronald Reagan's administration in the United States and Margaret Thatcher's victorious wave of privatization in Great Britain have increased the vigor of such a solution. That vigor is being strengthened by the success of the fight against hyperinflation in Bolivia which is being carried out under a program of reforms headed by U.S. economist Jeffrey Sachs, a professor at Harvard University, and which is now going to be repeated in Argentina under Peronist Carlos Menem. The winds of deregulation have even received an unexpected boost from the collapse of Soviet and Chinese communism, with both those countries being in the midst of a broad opening up.

In interviews with the Brazilian press, Sachs has advocated a program for combating hyperinflation that ranges from a reduction of the foreign debt—preceded by a suspension of payments—to the introduction of taxes to be paid by the rich. "This means that taxes will have to go up for those who can afford to pay," says Sachs. "What exists in Brazil and Argentina are governments that pay taxes for the private sector instead of collecting taxes." That may be so in Argentina, but Sachs, whose knowledge of the Brazilian economy comes from academic reports, should delve a little deeper into our country's tax structure. What we have here is taxes in excess—the problem is that they are not collected. But whatever the solution may be, it appears that the selection of losers will necessarily have to include someone besides the rich—meaning, besides wage earners, passbook savers who have invested in the stabilization programs that have been attempted without success throughout this decade. As a good starting point right off the bat, a scalpel should be used on the overswollen government machinery. We are in a difficult situation, and there are only two choices: the brutal one—hyperinflation—and the one to be made by consensus and certainly to be carried out by a capable and trusted government. The best choice, obviously, is the latter. It remains to be seen whether the sight of the gallows will be enough to keep us from signing away the future.

Looking for Protection

Loans create deposits, which lead to more loans, more deposits, and, in the end, profits. That basic logic regarding the operation of banks has long since ceased to apply to the financial system in Brazil. The banks have money to lend, but no one wants to borrow money at the interest rates they are charging. What is happening in practice is that everyone, from the smallest depositor in a savings passbook account to the largest banks in the marketplace, is lending to the government, which is going into debt to finance its deficit and is finding itself increasingly forced—because of the public's lack of confidence—to pay more and more for overnight money. A good share of banking profits is thus derived from a spendthrift state.

That is not a comforting situation. Like the firms, the banks are concerned about diversifying their investments. That strategy became very clear during the first half of this year, when Bradesco [Brazilian Discount Bank], the country's largest private bank, increased its investments in the data processing industry by buying Scopus, a manufacturer of personal computers. That was an area from which the bank had previously been absent. During the same period, it acquired 24.7 percent of the voting stock in Brasmotor [expansion unknown], increased its interest in the Belgian Mining Company, purchased 22.4 percent of the Tupi Foundry's stock, and informed the CVM [Securities Commission] that it already held an interest in four other industrial companies. In July, its total holdings came to 43 percent of its net worth. An even higher percentage of holdings is reported by the Itau Bank (64.5 percent), following by Citibank, whose holdings total 61 percent of its net worth.

The objective is to protect capital to the utmost by attempting to avoid the risk involved in owning securities, especially those issued by the National Treasury. There are institutions that have preferred, however, to move in the opposite direction from the giants in the financial system and have sold off their holdings in firms outside the banking area. This is the case with Multiplic [expansion unknown], which is giving up the businesses it owned in the sectors of mining, agroindustry, and moviemaking projects. "Investments will be concentrated in the financial area," says Luiz Kaufmann, managing director of Multiplic.

Its only remaining interest in industry is its control of the Lidice Toy Company. "We prefer large-scale operations with bigger spreads," says Manoel Cintra, Multiplic's general manager. Those operations are carried out by buying and selling paper on the interbank market. Even so, Multiplic has had a new division in its organization since last year, and that division is concerned with corporate finance. The objective here is the same as that of the big banks: to acquire an interest in available companies so as to organize operations for mergers, acquisitions, and incorporation. "The corporations are overloaded with cash," says Cintra.

* Engesa Head Reports Export of Sucuri Tank

34420096c Rio de Janeiro O GLOBO in Portuguese 11 Sep 89 p 19

[Text] Sao Paulo—The Sucuri tank, a new product of Engesa [Specialized Engineers, Inc.] which was introduced to the public during the military parade in Sao Paulo on 7 September, is already being exported, having gone through various tests in the Middle East. The announcement was made by Engesa President Jose Luis Whitaker Ribeiro, who contested reports that his company was having problems with the CVM [Securities Commission]. According to Whitaker, the meeting called to increase the capital was legal and subscriptions will close on 12 October, with an increase of 130 percent of its present capital.

"What we are doing is legal. I admit that we experienced a capital crisis, along with Avibras [Avibras Aerospace Industry, Inc.], the country's other major weapons manufacturer, but this has already been overcome. Engesa even attempted to obtain a loan from the BNDES [National Economic and Social Development Bank], but was turned down. Today, we are already in a good position, because the country has begun again to recognize the importance of the weapons, not only for defense but also to generate foerign exchange," he stressed.

Whitaker Ribeiro added that he even freed up the capital of the company, selling Engetronica, which had an association with Philips for the manufacture of electronic products and even aircraft instruments. Engitronica was traded to Moddata for $32 million.

The president of Engesa will leave today for Saudi Arabia to conclude the sale of $2.2 billion worth of 32-ton Osorio tanks for the Saudi Armed Forces.

Engesa also received $25 million in investments, from the GCC [Gulf Cooperation Council] investment "holding," of Arab countries. It should receive another parcel, of equal value, to capitalize the company, in which Jose Luis Whitaker Ribeiro remains the controlling shareholder.

Chile

Finance Ministry Sources on Joining Brady Plan

PY1710132689 Santiago Domestic Service in Spanish 0930 GMT 17 Oct 89

[Text] Authoritative sources of the Finance Ministry have said that Chile has officially joined the Brady plan by applying to the creditor banks for an authorization to bid for the repurchase of foreign debt notes.

The sources said that the repurchase of debt notes worth about $330 million will be made both using Central Bank reserves and loans from multilateral organizations under more favorable terms for Chile and longer repayment periods.

Pinochet Rejects 'Power for Power's Sake'

PY1810030089 Santiago Domestic Service in Spanish 2200 GMT 17 Oct 89

[Text] The president of the Republic maintains that it is morally unjustified to seek power for power's sake. He made this statement during a luncheon with former ministers and state secretaries at government house. President Pinochet said that his administration has not hesitated to implement all the measures necessary to pacify the country and to overcome the general backwardness that prevailed in Chile.

The president said that his administration has been charged with being harsh and unsympathetic, impulsive and hurried. However, he said, all these unfounded criticisms prove untrue given real facts.

President Pinochet later said that politics cannot be considered a neutral or abstract activity, but that it must be inspired by values and principles which assure a genuinely civilized coexistence. He added:

[Begin Pinochet recording] It is unjustified to seek power for power's sake, especially when one is inspired by dark objectives to destabilize the institutions and [words indistinct] just as it seeks the selfish satisfaction of partial interests which oppose the common well-being of the people.

The search for the common well-being is the authentic objective of power and the only objective that justifies the need to impose restrictions, which are sometimes necessary, on individual freedom in the quest of better opportunities and conditions of equality for all. [end recording]

Finally, the president said that Chile is currently experiencing a crucial moment in its institutionalization process and in its economic and social policy.

Vows Not To Promote Coups

PY1810021089 Santiago Radio Cooperativa Network in Spanish 2200 GMT 17 Oct 89

[Passages in quotation marks recorded]

[Text] In an impromptu speech to mark the anniversary of the National Secretariat for Women's Affairs, President Pinochet said: I am not going to stay in my post of commander to promote coups or to form popular or parallel governments just to bother others. I am going to stay to safeguard our institutional system.

Pinochet added that he has thought a great deal about Chile's future: [Pinochet] "Like everyone else, I harbor fears because those who today appear as innocent as lambs or white doves have hearts full of hatred and malice, and we shall see what happens later."

This is why I am apprehensive, Pinochet added.

[Pinochet] "This is why I want to stay in my post of Army commader in chief, not to promote coups, as some have contended, or to form popular governments, as others claim, or to promote pararell governments just to bother others and not to let them rule. It would be unpatriotic on my part to do something like that. I am going to stay to safeguard the institutional system, as provided for in the Constitution."

Pinochet said: "I am going to exercise the guarantees bestowed upon me by the Constitution, not to abuse my powers but to safeguard the government."

Speaking to more than 3,000 volunteers of the National Secretariat for Women, Pinochet urged them to continue to work to promote unity.

[Pinochet] "Unity is essential. We must be united, together, to address any problem. We must remain together, looking the future, so what we will not experience again what happened between 1970 and 1973, when there were lines, confrontations; when there were illegal occupations."

Pinochet said: Today they want to forget all that and are using another slogan because they have brainwashed the promoters of human rights.

[Pinochet] "Let me tell you who violated human rights [applause], who instigated the people, who killed or inflicted wounds on others. To whom did the 30,000 weapons we found belong? They belonged to them. There were 30,000 weapons here in Santiago. They are forgetting that there were 15,000 guerrillas. They claim this was not true, but a modern historian, Mr Johnson, [not further identified] confirmed our position."

Those who are trying to contradict us are the same ones who are trying to appear as innocent as lambs, Pinochet said.

Merino Says Pinochet Remarks 'Misunderstood'

PY1810001889 Santiago Domestic Service in Spanish 2200 GMT 17 Oct 89

[Excerpt] [Passage omitted] After a Government Junta meeting in the Diego Portales building today, reporters asked Admiral Jose Toribio Merino his opinion on President Pinochet's recent statements on possible persecution of Armed Forces members during the next administration.

Adm Merino said that the president was misunderstood when he referred to an alleged end of the state of law. Merino said he shares Pinochet's views of defense of the military officers. The admiral said that in a state of law he will not accept abuses against anybody.

Merino also reported that he will go to the United States to attend a meeting of Western navy commanders in chief. This conference is held every 2 years, and it will last 3 days.

Adm Merino said that the Navy command headquarters will be transferred in January to Valparaiso, where the Navy command has always been in the past.

Teitelboim Comments on Meeting With Gorbachev

PY1710181689 Santiago Radio Chilena Network in Spanish 1600 GMT 17 Oct 89

[Excerpts] Soviet leader Mikhail Gorbachev is very interested in the Chilean transition to a democratic system and has received all the background information on our country's political reality.

This statement was made by PCCh [Communist Party of Chile] Secretary General Volodia Teitelboim, who, along with PCCh leader Jose Sanfuentes, returned to Chile from Amsterdam.

We had the oportunity of talking with Mikhail Gorbachev in Berlin. It was a very affectionate and fraternal meeting in which he expressed his interest in events in Chile, Teitelboim said. [passage omitted]

In response to another question at the airport terminal, Teitelboim said that he shares the opinion of [former PCCh Secretary General] Luis Corvalan who pointed out that the president of the republic, General Augusto Pinochet, should be tried by the nation after March 1990. After March 1990, this must be decided by the people, the congress, and the courts, and I share the opinion of Corvalan, Teitelboim said. [passage omitted]

Interviewed on Situation

PY1810140289 Santiago ANALISIS in Spanish 2-8 Oct 89 pp 13, 15

[Interview with Chilean Communist Party—PCCh—leader Volodia Teitelboim by Marcia Scantlebury; date and place not given—quotation marks as published]

[Excerpt] [Passage omitted] [Scantlebury]: You said after the plebiscite that if Pinochet remained in power he would be in a very dangerous position. Pinochet, however, is still there. What do you think of that?

[Teitelboim] The first step is to secure a landslide opposition victory in the elections in order to show that he and his followers represent only a minority of the population. To make sure that Pinochet will leave, the Army should take this situation into account, because he is preparing the infrastructure to stay. He has enforced numerous laws and, like a good housewife, he is preparing his quarters at the Defense Ministry and getting ready to solemnly move to the Diego Portales building. The Armed Forces must understand that they cannot go against the will of the country, that they cannot be an instrument of a dictator who has been defeated and repudiated by the people, and that, instead, they must fulfill their professional duties.

[Scantlebury] Do you believe that the Armed Forces can really arrive at such a conclusion?

[Teitelboim] I believe that most military men should understand that this is a process that must take place, for the sake of their own tranquillity and in order to make sure that their institution will not be regarded as the oppressor of the people. Obviously, there will be problems, because there is a sector of hardliners who, along with Pinochet, are taking all the necessary measures to indefinit ly remain as representatives of military power with the help of their "bunker" [preceding word in English], the 1980 Constituion, which will be resisted.

[Scantlebury] Speaking of the role of the Armed Forces as "tutors" of Latin American democracies, some sectors hold that it is impossible to implement the necessary changes without the aid of alternative armies. Is this why the FPMR [Manuel Rodriguez Patriotic Front] exists?

[Teitelboim] Something of the sort was taken into consideration in Chile during the years in which the armed struggle was popular on the continent. Some sectors considered that a totally radical attitude was morally possible—an attitude that would end with the pathetic attitude of Latin American Armies which obeyed oligarchic, selfish, and bloody interests to depose weak civilian government through bloodbaths. This alternative had worked in Cuba, and, although there was no dictatorship in Chile at the time, many Chilean youths considered this alternative, which was not put into practice for several reasons.

"Another possibility that was considered was the creation of a popular army as the result of insurgence and rebellion against an atrocious dictatorship. This possibility has been supported by the church for centuries. But in order to put it into practice it is necessary to obtain popular support and the awareness of the citizenry to support the long struggle of the revolutionaries.

"However, a third possibility is being considered in Chile. It advocates that the harshest pro-Pinochet sector, which intends to perpetuate itself in power by keeping the president captive, should be defeated through the pressure of the citizenry and a clear and categorical election. This will call the attention of those military officers who have a high professional standard and who do not wish to continue as instruments of the ambition of a military group that is at the service of making the rich richer and the poor poorer in Chile."

[Scantlebury] Did you endorse an armed struggle to end the current situation?

[Teitelboim] I did think about it soon after the coup. But a different kind of Army was needed then. It should have been an Army that was not at the service of a dictator and that did not create the tragic industry of missing people. An Army which should not have burned students alive or slaughtered professionals merely for being Communists, following orders from abroad. I did think about that possibility.

[Scantlebury] What made you change your mind?

[Teitelboim] The fact is that a large sector of the population and several democratic opposition parties, which participated in the Civic Assembly, prefered to establish talks with Onofre Jarpa, the then interior minister, in the hope of convincing Pinochet's regime to improve and to accept the idea of willingly concluding the dictatorship. We always opposed those talks because we did not believe in them. We do not accept the recent so-called constitutional ammendments, because in the end it is only cosmetic surgery which does not change anything.

[Scantlebury] However, the talks were somehow successful over all....

[Teitelboim] The idea of making progress within a certain institutional framework is the one that prevailed. They wanted to develop into a movement that would gain force until they obtained a favorable result through elections. This procedure was accepted by the majority and by ourselves because we naturally have always endorsed social mobilization as being absolutely necessary. We have never excluded the possibility of voting, not only for electoral purposes.

For us this is not the solution because it does not solve the people's problems, which include hunger, unemployment, health, education, and violation of human rights, and which are issues that cannot wait.

[Scantlebury] What can you tell us about the alleged PCCh dependency on the CPSU?

[Teitelboim] That is a distorted view. The Soviet Union has a particular view about Chile which does not necessarily agree with ours. Our view is based on what we know about Chile and even the Soviets do not tell us what we should do and if they did we would not accept it. The Communist International was dissolved many years ago. Nowadays, the parties of the world have international organizations like the Socialist International, the Christian Democratic International, and the Liberal International. The communists do not have any. [passage omitted]

Almeyda Faction Advocates Unity of Left

PY1810003489 Santiago Radio Chilena Network in Spanish 1600 GMT 17 Oct 89

[Text] The Socialist Party-Almeyda Faction has issued resolutions confirming its participation in the future democratic government and in socialist unity by joining the sector headed by Jorge Arrate [secretary general of the Socialist Party-Nunez Faction] this year. This was reported by Clodomiro Almeyda, secretary general of this Socialist faction. Almeyda promised to contribute his efforts to help democratize the country as demanded by the citizenry.

[Begin Almeyda recording, in progress] ... to contribute to the democratic program of the transitional administration, to organize the people in support of the democratic government, and to play a main role in this transition process, by respecting the necessary autonomy and independence of the labor unions and social sectors in relation to the political parties and the government.

We will also contribute by having the Socialist Party actively participate in the effort to unite the leftist forces which must adopt renewed forms of alliance to become an important political factor capable of effectively contributing to the process of Chilean democratic recovery. [end recording]

The plenum of the Socialist Party-Almeyda Faction, which took place last weekend, called on all Chileans to help Patricio Aylwin achieve a landslide victory in the 14 December elections.

When asked his opinion of President Pinochet's statements in the 11th Region where he had said that the state of law would end if any of his men were touched, Almeyda said he would help prevent the Armed Forces from becoming a parallel government.

[Begin Almeyda recording] They intend to create a sort of counter government, alongside the legal government, by distorting the role of the Armed Forces to lessen the authority of the democratic government. This clearly indicates that the political conflict between democracy and dictatorship is still alive in Chile. We must therefore make a great effort to turn Aylwin's triumph in December into a rallying point for finally installing a state of law in which sovereignty is controlled by those to whom the people entrusted the task of governing. [end recording]

Almeyda said that the Socialist plenum has decided to work hard along with all democratic forces which represent the Chilean working classes to help stabilize the future democratic system.

Two Youths Indicted in Mormon Church Arson

PY1710135289 Santiago Domestic Service in Spanish 0930 GMT 17 Oct 89

[Report by journalist Jaime Larrain]

[Text] The Fifth Santiago Appellate Court has unanimously confirmed the indictment of two persons linked to the Marxist Lautaro Youth Movement. They are Marco Antonio Mardones Villarroel and Jorge Leandro Escobar Diaz, who were indicted for violating Article 1, Paragraph 6, of the Antiterrorist Law that punishes those involved in arson or who plant explosive devices.

Mardones Villarroel and Escobar Diaz have been accused of participating in the attack on a Mormon church in the district of La Florida on 4 July 1989.

Prosecutor Emilio Pomar has also indicted them for their involvement in the killing of a carabinero on 6 July 1989 on San Diego Street in Santiago.

Conscripts Injured in Grenade Accident

PY1710193289 Santiago Radio Chilena Network in Spanish 1600 GMT 17 Oct 89

[Report from Chillan]

[Text] Five conscript soldiers of the 9th Mountain Infantry Regiment of Chillan were injured this morning after a grenade exploded in the military training field of Quilmo. One of the soldiers had to be urgently taken to Concepcion by airplane in an attempt to save his life.

At noon today, the military unit released an official communique, signed by Commander Jorge Lazo Pozzi.

Here is the communique:

Quote: Today at about 0915, while exercises were being carried out in the military training field of Quilmo and under circumstances that are under investigation, an accident occurred. As a result of an explosion the following conscript soldiers were injured: Juan Inostroza Rodriguez, Gilberto Nunez Fuentealba, Carlos Acuna Sanchez, Edgardo Correa Mardones, and Jose Bahamondes Sepulveda. [No "unquote" as heard]

Unofficial reports received shortly after the accident suggest that the grenade may have been lying on the military training field since the last exercise and that it exploded after one of the soldiers kicked it or trod on it, but this report could not be confirmed.

At (Erminda Martin) Hospital, where the injured soldiers arrived shortly after the explosion, it was reported that Juan Inostroza Rodriguez suffered an extremely serious [words indistinct] and had to be urgently taken to Concepcion.

Hospitalized at the local hospital are Gilberto Nunez Fuentealba, with multiple injuries in his left leg and in serious condition; Carlos Acuna Sanchez, with a fractured left ankle and also in serious condition; and Edgardo Correa Mardones, with contusions to his left shoulder and a bruised left hip, and also in serious condition.

The fifth injured soldier, Jose Bahamondes Sepulveda, only sustained bruises and, after receiving the appropriate medical care, was sent back to the military unit.

New Metropolitan Region Army Commander

PY1810031089 Santiago Domestic Service in Spanish 2200 GMT 17 Oct 89

[Summary] Brigadier General Alejandro Gonzalez Samohod was installed today as the new commander of the Metropolitan Region Army unit. He replaces Major General Jorge Lucar Figueroa, who has been appointed deputy commander of the Army.

Colombia

Judge Killed in Medellin Traveling to Office

PA1710205289 Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 17 Oct 89

[Text] The judicial branch is in mourning today. Medellin Superior Court Judge Hector Jimenez Rodriguez was murdered in Medellin this morning. The judge was riddled with bullets by an unidentified man as he was traveling from his home to his office together with another judge. Judicial activities are presently paralyzed in Antioquia in accordance with a decision taken by ASONAL [National Association of Judicial Branch Employees] to protest the murder of Jimenez Rodriguez. Here in Bogota ASONAL is presently considering going on strike in the next 72 hours to protest the murder of Judge Jimenez Rodriguez.

Judicial Branch Begins 72-Hour Protest Strike

PA1810021989 Hamburg DPA in Spanish 0057 GMT 18 Oct 89

[Excerpts] Bogota, 17 Oct (DPA)—The employees of Colombia's judicial branch have begun a 72-hour strike to protest the assassination of Medellin Superior Court Judge Hector Jimenez Rodriguez, who was gunned down in Medellin today by the drug mafias.

The judge's body was taken to the court building this afternoon, and will be buried tomorrow amid the Colombian judicial branch workers' clamor for more government protection for their lives, seriously threatened by the drug cartels.

Jimenez Rodriguez, 55, was shot to death by a hired gunman as he was about to get into the vehicle of another judge to drive to the University of Antioquia, where he was a professor. [passage omitted]

Anonymous calls to the Caracol radio network in Medellin claimed that the new terrorist action was carried out by "the Extraditables," in reprisal for the Colombian Government's decision to send mafia members who are wanted for cocaine trafficking to other countries. [passage omitted]

Supreme Court Rules on State of Siege Decrees

PA1810055389 Bogota Radio Cadena Nacional in Spanish 1200 GMT 13 Oct 89

[Text] The Supreme Court has declared as unconstitutional two state of siege decrees whereby the judicial branch was strengthened, and it has invalidated the law that made it possible to replace civilian mayors with military men.

The top judicial organization considers that the extraordinary decrees that established special procedures for the

Higher Court of Public Order are constitutional, and it arranged for the creation of a special fund for the administration of justice.

The Supreme Court also said that the decree issued by the government, giving the president the power to dismiss or replace popularly elected mayors with military men in areas where public disorder prevails, is unconstitutional. The Supreme Court said that the measure violates the mayors' constitutional rights since they were elected by the citizens' popular and legitimate votes.

Local VOA Employee Assassinated in Medellin

PA1810035489 Madrid EFE in Spanish 0307 GMT 18 Oct 89

[Text] Bogota, 17 Oct (EFE)—The authorities have reported that radio announcer Diego Vargas Escobar was assassinated today in Medellin, in northwestern Colombia. This is the second such crime to shake Medellin in less than 12 hours.

The police said Vargas Escobar, 56, was shot to death by two men riding a motorcycle as he arrived at his house at 1950 (0050 GMT 18 October).

The authorities reported that the assassins fled after committing the assassination. They said they do not know the motive.

Diego Vargas Escobar had worked at Cadena Radial Colombiana (Caracol) until 2 months ago, and since then he has been working at the Voice of America.

The announcer's assassination came only 12 hours after "The Extraditables," the armed wing of the Medellin Cartel, gunned down Judge Hector Jimenez Rodriguez in Medellin, the country's second most important city, located 250 km northwest of Bogota.

Cali Lawyer Gunned Down by Unidentified Gunmen

PA1810130889 Bogota Radio Cadena Nacional in Spanish 1228 GMT 18 Oct 89

[Text] Cali lawyer Jose Noe Garcia Castillo was killed in east Cali within the past few hours by unidentified gunmen who fled the scene on a motorcycle, the police have reported.

A Cali metropolitan police source said the lawyer was about to enter his home at 1st Avenue and 52d Street when he was attacked. The gunmen—two young men—are being sought by the authorities.

Two Suspected EPL Guerrillas Killed in Shoot-out

PA1710220289 Bogota Radio Cadena Nacional in Spanish 1200 GMT 10 Oct 89

[Text] Monteria—Suspected guerrillas of the self-styled Popular Liberation Army [EPL] were killed by DAS [Administrative Department of Security] agents during a shootout last night at the bus terminal in La Pradera neighborhood, Monteria [capital of Cordoba Department]

DAS Regional Director Emilio Vence Sabaleta told RCN that two individuals, aged 20 and 25, clashed with a DAS patrol that was in the area.

The two suspected guerrillas killed in the shootout were carrying a revolver, a rifle, subversive propaganda, and 5 million pesos—presumably obtained through extortion—and several sets of blueprints, which are being analyzed by the DAS.

* Congress, President Seek Better Relations

33480291b Bogota EL TIEMPO in Spanish 16 Sep 89 p 6-A

[Text] Relations between the administration and the Liberal group in Congress are certainly not the most cordial, as shown by developments in recent weeks in the Capitol.

The administration is convinced that the situation cannot continue. Hence, both sides have agreed to hold a summit meeting next Wednesday to narrow their differences.

President Barco will receive the 26 members of the Central Political Commission, the representatives of the Liberal factions in Congress, in his office that afternoon to analyze the party's problems.

Accompanying them will be the head of the party, former Presdient Julio Cesar Turbay, alternate directors Luis Guillermo Giraldo and Norberto Morales, and Secretary General Saul Arboleda.

Several ministers are also expected to show up to hear the congressmen's concerns.

Heavy Atmosphere

Things have become complicated for the administration in Congress.

First, the ministers have become targets for the party's own congressmen. Last week in the House, for example, the cabinet was unable to present the report that it had scheduled on law and order measures.

Last Wednesday Foreign Minister Julio Londono fared poorly in the debate on the Israeli mercenaries. Several Liberals turned their backs on the minister, and those that did not walk out stayed to attack him.

In addition, the Liberal group in Congress has shown particular reluctance to attend the sessions to discuss administration bills.

The atmosphere in the Senate is not all roses either. The main victim of the strained relations between the administration and the Liberal Party is the constitutional reform.

Liberal indiscipline has been obvious. This week almost nothing was done on the bill. The Liberals are behaving as individuals, not as a group, as was expected, now that the rebellion over the establishment of the Official Auditing Department is over.

The sponsor of the bill, Federico Estrada Velez, flew off the handle last Thursday and said that the ruling party has been unable to behave like one.

And he called on his Liberal colleagues to say courageously and straightforwardly whether they are interested in the reform, so that everyone knows what to expect.

Several congressmen on the First Committee are not in complete agreement with the bill and are awaiting further clarification on certain points of the reform.

Deep down the problem is the same as last year: what bureaucrats feel is their due. Some are complaining that the ministers neither receive them personally nor talk to them on the phone.

A good number of congressmen are also protesting President Barco's "despotic style," the attempt to force certain bills on them, and the great many powers that he is asking for without offering sufficiently clear arguments.

If an understanding is achieved this Wednesday, constitutional reform could be one of the bills that benefits the most, as it is now stalled because of the tough and at times excessive opposition of the Pastrana faction, besides Liberal indiscipline.

Separately, as of yesterday the head of the party began receiving the conclusions of the Working Commissions that have been meeting for the past 8 months. The first to hand in its report was the Public Works and Transportation Commission. Presenting them on Tuesday will be the commissions of Economic, Legal, and Constitutional Affairs and of Social and Educational Affairs, and on Wednesday the commission of International Issues. The conclusions will be submitted to the Ideological Congress that will be held on 28 October.

* Upcoming Coffee Negotiations Viewed

3348029Ic Bogota EL TIEMPO in Spanish
18 Sep 89 pp 1-C, 2-C

[Article by Luis Alberto Lopera: "The Storm Clouds of a New Coffee Pact"]

[Text] Just when the die seemed to have been "cast" because of the shattering of the Coffee Pact, the totally unforeseen drop in international prices has opened the door "to further talks."

The response from the U.S. President to a message from Colombia's chief executive, Virgilio Barco, has prompted great anticipation. There are several elements, however, that show that the path of negotiations is not that easy and that even if the United States demonstrates a willingness, it may not be enough.

Even though during the first 2 months of a free market the producing countries lost $500 million ($8 million a day) and know that in a year losses will total $4 billion, a worrisome silence still reigns. The only country that seems truly interested is Colombia, while others only "regret" or are even happy with the free market, like Brazil.

The silence may end when Bush's response to Barco is made known and especially after the United States and Colombia hold talks this week.

Who Will Give In?

The first major concern is what will happen with the ambition of the Central American growers who, supported by the United States, were demanding an increase in their quota. They were pressured in July by the roasters, who want a larger supply of quality coffees.

The second concern and the main stumbling block to an agreement is the controversial parallel market, which the U.S. Government does not accept as it considers it unfair to buy coffee at $1.40 a pound while the nonmembers of the OIC [International Coffee Organization], especially the communist regimes, pay as little as 70 cents.

Some of the Central American countries, which grow the "other mild varieties," "regret" the free market. Although the thinking is that they could facilitate the negotiations, it is not yet known whether they are going to yield on their desire for a larger quota.

Although it is true that expectations are running highest about the flexibility of the United States and the Central American countries on these two points, the truth is that the stands of Brazil and Colombia will now carry a great deal of weight.

The fear is that the OIC will be faced with a stronger Brazil because things have gone "very well" for it. Brazil is so pleased with its higher sales on the free market that its number one coffee representative, Mr Dauster, said recently that the country did not want to talk about the pact for another 2 years. The country now seems willing to talk, but only if there is an arrangement that is in its favor.

The Brazilians know that besides having expanded their share of the market, they are going to have a good harvest, if the weather does not change, and that this could help them in the medium term. Their production would rise from 23 million sacks this year to a minimum of 32 million next year. That would enable them to export 18 million and to consume 8 million, which would leave them with another 20 million sacks for export.

Colombia, which remains convinced that a pact is the best thing for growers, could not give in on its share either, because its output is close to 13 million sacks and it has stocks of around 8 million.

During the 2 months of a free market, given the aggressive selling by the federation and private exporters, the country has gained another piece of the market.

Colombia and Brazil are meeting almost half the demand, compared to 40 percent when the agreement was in force.

There is also concern about the position of Mexico, which remains convinced of the merits of the free market. Its leaders are satisfied with the higher sales at 75 cents but will not agree to a further drop in prices in the medium term because in that case even if they sell more, their earnings would decline.

The African growers, for their part, are prepared to negotiate because they have been the hardest hit and are heavily dependent on coffee earnings. The other countries have not yet taken a stand.

Prices and Selectivity

Aside from the fact that some producers have not made their position clear, changes in the price range will be another difficult aspect of the negotiations.

Until July the maximum was $1.40 and the minimum $1.20 a pound, with increases or cuts in the overall quota if the OIC target price (for 15 days) was down or up.

Since during the last few months with quotas the target price fluctuated between $1.15 and $1.20, consumers may press for a lowering of the "ceiling" and the "floor" to $1.30 and $1.10.

Such a change, which used to be unacceptable, could be appealing to producers at present, according to some analysts, because the essence of the quota system is to control supply in the face of a highly inelastic demand. Even if prices drop 50 percent, demand will not rise by 10 percent.

To resolve the problem of the larger supply of mild coffees, some think that there could be a return to the mechanism of "selectivity" that Colombia got through and that worked well. This system enabled Brazil to sell an additional 1 million sacks last year and our country an extra 440,000.

The system works like this: when the overall quota has to be increased because the target price exceeded the maximum price for 15 days, a greater share is allotted to the mild (Arabica) varieties in the readjustment. If the quota has to be lowered because the price is below the minimum, the mild varieties are the least affected.

Slow Recovery

Although prices could rebound if the United States renegotiates, experts feel that they will remain below 90 cents or $1 a pound, at least for several months.

That sort of price level, although far from the $1.38 a pound during the early months of the year, would give the National Coffee Fund and the government ample maneuvering room.

In contrast, if prices fall to 70 cents, the situation of the fund and of the country will require further adjustments in government finances, as experts on the issue have suggested.

Although there are promising signs in view, the country's coffee growers are not getting their hopes too high, especially when they recall that even if demand rises in winter in some nations, there could be a supply glut because the harvests are leaving Central America and Colombia. The most pessimistic among them even doubt that demand will rise because the roasters have large stocks.

The storm clouds that are looming over a new pact make it clear that everything depends on whether the Central Americans give in, whether the United States agrees to some mechanism for a larger supply of mild coffees and to a truce so that the problem of the dual market can be resolved, and whether Brazil wants to keep the pact alive.

Colombia: Earnings From Coffee Exports

		1984-85-88 Average	1990
External price	U.S. dollar/pound	1.32	1.32
Exports	Millions of sacks	10.0	10.0
Refunds	Millions of dollars	1.488	1.488
Lowered earnings per 1 cent drop/pound	Millions of dollars	0	13
Price drop	U.S. dollar/pound	0	0.52
Earnings loss	Millions of dollars	0	676
Higher exports to offset loss	Millions of sacks	0	6.4
Maximum additional exports	Millions of sacks	0	2.5
Total exports	Millions of sacks	10.0	12.5
Earnings from additional sales	Millions of dollars	0	265
Bottom-line loss	Millions of dollars	0	411

* Government Studies Subsidized Housing

33480291a Bogota EL TIEMPO in Spanish 16 Sep 89 p 12-E

[Article by Gloria Vallejo: "Subsidized Housing Is Coming Along"]

[Text] Congress and the administration have finally decided that the only way to provide low-income classes with their own homes is through direct subsidies.

Study begins this week on mechanisms to provide this subsidy, which will be channeled mainly through the Territorial Credit Institute (ICT), whose principal mission will be to supply low-cost housing to the poorest segments of society.

The National Savings Fund (FNA) and the Central Mortgage Bank (BCH) also have this commitment. The bank, however, is faced with problems in providing such housing at subsidized prices.

On Wednesday of this week during the forum organized by the Third Senate Committee, the general manager of the BCH, Arturo Ferrer Carrasco, said that his institution manages the public's savings and, as such, must answer for the efficient handling of these funds. He indicated that last year the bank posted operating losses of 1.39 billion pesos, which were somewhat offset by the profits earned by the Bulevar Niza shopping center (with dividends of close to 3 billion pesos), "which Senator Ernesto Samper Pizano has criticized so much."

Nevertheless, the BCH is again posting operating losses this year. During the first half of 1989 they totaled 1.2 billion pesos, which the general manager attributed to the adverse effects of the urban reform on the construction sector.

The superintendent of banks, Nestor Humberto Martinez, cautioned that the BCH cannot become involved in risky practices such as subsidizing housing, because it manages mainly private savings, which must be handled responsibly.

Through the minister of economic development, Arturo Marulanda, the administration has submitted to Congress a bill that corrects the urban reform's definition of low-cost housing. Debate on the bill began this week during the forum.

The bill lowers the maximums for low-cost housing, which in the future will be called priority low-cost housing, to 40 (1.3 million pesos), 55 (1.7 million pesos), and 70 (2.2 million pesos) monthly minimum wages. "Priority low-cost housing," said Marulanda, "is housing that by definition has been singled out to receive preferential financing, that is to say, subsidies from the government."

The official explained that the subsidies would be received through government agencies with appropriations from the national budget.

The development minister indicated that attempts would be made to get savings and housing banks involved in providing such housing. "We will follow the policy and guidelines of the Monetary Board so that the CAV's [expansion unknown] include a reasonable amount of funding for these sectors at the proper time."

Ernesto Samper Pizano, the senator and Liberal presidential hopeful who is one of the main defenders of the urban reform, seemed resigned to its being modified, but not before voicing certain warnings.

"If the limits of low-cost housing are going to be lowered, it should not be done so that only the builders can fit but rather with objective criteria for low-cost housing. The underlying problem must be resolved: whether the Congress of the Republic is determined to keep alive the idea that low-cost housing has to be subsidized. If it is, as seems to be the case, we have to find a way to provide the subsidy while lowering the maximums initially set in the urban reform."

[Box, p 12E] Problems Continue

The Colombian Chamber of Construction, through its president, Gabriel Jaime Giraldo, has reiterated that the construction sector remains in crisis and that much of it is due to the lack of financing for low-cost housing. So far this year it. ititutional lending is down about 50 billion pesos in the range from zero to 2,200 UPAC's [constant purchasing power unit], a figure that has been confirmed by ICAVI [expansion unknown].

Giraldo indicated that building activity in April of this year declined to minus 23 percent and that some recovery began to be noted in mid-year with an index of minus 10 percent.

Peru

Shining Path Destroys Agricultural Station

PY1710165689 Madrid EFE in Spanish 0436 GMT 17 Oct 89

[Text] Lima, 16 Oct (EFE)—Police sources today reported that last night a group of "Shining Path" terrorists destroyed the facilities of an experimental agricultural and livestock station in Ancash Department, northern Peru. Property damage worth about $8 million, was reported.

The Tinhua station is about 45 km north of Huaraz, the capital of Ancash Department that is 409 km from Lima. It was attacked by 35 Shining Path terrorists who dynamited the facilities and burned six pickup trucks, six motorcycles, a tractor, and cereal grading equipment.

The sources said that the terrorists overpowered the station guards and began to destroy the covered area which amounts to more than 2 hectares.

According to official figures, the property damage caused by terrorism since the "Shining Path" began its violent actions in 1980 totals $12 billion.

FREDEMO Candidate, Wife, Son Murdered

PY1710173689 Lima Television Peruana in Spanish 1300 GMT 17 Oct 89

[Text] Last night terrorists murdered three people in Huanuco. The FREDEMO [Democratic Front] candidate for the municipal elections together with his wife and son were murdered as they were leaving their house located near the parade ground.

This regrettable murder, which was repudiated by the people of Huanuco, occurred at 442 Independencia Street at 1900 when two unidentified individuals riding a car intercepted and opened fire on the municipal candidate, his wife (Victoria Diaz Pozo), 40, and his younger son.

Army and National Police forces conducted an operation in the city and arrested several suspects, according to the Interior Ministry. The name of the FREDEMO municipal candidate was not disclosed.

Armed Forces Kill Terrorists in Mountain Area

PY1710034289 Lima Television Peruana in Spanish 0100 GMT 17 Oct 89

[Text] The Armed Forces have carried out several operations in which they deactivated subversive cells and confiscated a large amount of weapons in the Central Mountain region. The Armed Forces Joint Command reported that the operations took place in the towns of Ambo, Dos de Mayo, Vista Alegre, (Porochi), Jauja, and Aymaraes.

The Armed Forces members confiscated submachineguns, FAL [Light Automatic Rifle] rifles, other weapons, and subversive propaganda. The Armed Forces reported that several terrorists were arrested and 17 others were killed.

Uruguay

Venezuela's Perez Arrives, Meets Sanguinetti

PY1810023889 Montevideo Radio Carve in Spanish 0000 GMT 18 Oct 89

[Excerpt] At 0900 tomorrow, Venezuelan President Carlos Andres Perez and Uruguayan President Julio Maria Sanguinetti will sign bilateral agreements to promote economic cooperation between the two countries.

Upon his arrival in Montevideo, Perez and Sanguinetti held a 30-minute private meeting at the Libertad Building.

Later, the Venezuelan president had lunch with Sanguinetti and with the Colorado, National, New Sector, and Broad Front presidential candidates. [passage omitted]

Health Minister Reports Increased Drug Use

PY1710183189 Buenos Aires TELAM in Spanish 1410 GMT 17 Oct 89

[Text] Montevideo, 17 Oct (TELAM)—Health Minister Raul Ugarte has reported that the number of drug addicts has increased by 588 percent in the last 2 years. He added that drug addiction is more common among men at the rate of four men for every one woman.

The minister said that the most common drugs consumed are marijuana, amphetamines, and inhalants, in that order.

Venezuela

President Perez Speaks on Antidrug Cooperation

PA1710040989 Bogota Inravision Television Cadena 1 in Spanish 2122 GMT 5 Oct 89

[Speech by President Carlos Andres Perez at the Francisco de Paula Santander International Bridge on the Venezuelan - Colombian border on 5 Oct—recorded]

[Text] It is a pleasure for me to meet with President Virgilio Barco for the second time, in my role as president of Venezuela, to to continue reviewing—6 months later—issues which are of mutual interest to our two nations. I also wish to prove with this action that we are willing to carry out our plans for cooperation and mutual understanding. On this occasion we are proving that we want to permanently follow up the goals established during our first meeting.

However, President Barco, on this occasion I wish to state—like I personally told you on the telephone upon learning the unfortunate and tragic news about the assassination of Luis Carlos Galan, an admired friend and a great Colombian—that I wanted to hold this meeting because the Venezuelan feelings which I represent and personify compelled me to personally express to you, as president of Colombia, Venezuela's and the Venezuelan people's solidarity with the extraordinary and admirable struggle that Colombia is currently waging against an enemy of mankind—drug trafficking.

I want to state here that this was enough reason for the Venezuela Government to request, through its president, a personal interview with President Barco, so that it may be known that Venezuela's solidarity goes beyond words.

We are prepared to join Colombia and to face fate together in the struggle against this scourge of mankind.

The Venezuelan people have been deeply moved by what has been happening in Colombia. But we Venezuelans are also very proud of the strength, courage, and firmness with which the Colombian Government and people have been facing this aggression which has no limits. All people of the world should feel victimized by this aggression, because an international crime is being committed

by people who have chosen Colombia as a center for criminal operations that threaten mankind as a whole.

President Barco: We have read the extraordinary speech you delivered at the United Nations. We fully share your analyses and conclusions. We are prepared to speak and act in favor of what you said there so that it does not simply involve actions by our two countries. We must request the solidarity of all the Latin American people and nations, something that we will surely secure, to face together this tremendous and dangerous aggression that threatens all nations.

You said very correctly, President Virgilio Barco, that this is a world war that threatens the very essence of human existence, that no one can remain indifferent to in the face of the crisis we are enduring. It is not the Colombians, Peruvian, Bolivians, or the Venezuelans who are responsible for the situation. It is not Latin America who is responsible for the situation, as the United States sometimes distortedly wants to see it: We are the victims.

First, we are the victims of drug consumption. Second, we are the victims of the dramatic economic situation of our countries, situations that have produced the right conditions for cultivating the plants from which drugs are made.

This is why we enthusiastically share your United Nations speech. There you pointed out the importance that the drug problem has at a world level and noted the causes that contribute to a situation that is no longer a problem of the western hemisphere only but also a problem of all the continents and of all men and women of the world.

Venezuela hereby assumes the proposals you have made as its own. We will be next to you and your country at international forums, and wherever it is necessary to go to face this dramatic and grave situation that threatens us as we approach the third millennium. Either we defeat this international aggression during the last decade of the 20th century, or we will step into the 21st century having drugs and drug trafficking as one of the most grave and difficult problems that future generations will have to face.

My first statements had to be an expression of broad and full solidarity, because of the crisis that drug traffickers have unleashed in Colombia, and because of the need to join efforts to fight them.

This is why one of the agreements approved at this historic Santander Bridge deals with Venezuelan-Colombian cooperation to fight drugs. This agreement establishes the reactivation of a mixed commission that should have never stopped functioning, to face the drug problem.

We also agreed on the permanent exchange of information to mutually tackle this problem, and to follow through with cooperation between our police departments.

It is satisfying to know that our Armed Forces are meeting all along the border. The Armed Forces commanders have established practical systems of cooperation and understanding, so that the border areas will not become the best hiding place and the best sanctuary for criminal drug traffickers. The drug trade is a crime that knows no borders, and it must be attacked regardless of borders. It is neither fair nor logical that in the name of the defense of our nations' sovereignty we should let drug criminals and outlaws use our border areas as a base to attack our national sovereignty.

As a citizen, and today as President of Venezuela, I wholeheartedly uphold the international agreement that will make the war on drug trafficking an all-out war, so that we can face this crime that knows no borders.

President Barco, in your speech you summarized extraordinarily what Colombian - Venezuelan relations should be. You have also summarized admirably the goals we seek with the agreements and declaration we signed in March and the objectives that we have already achieved. The documents we have signed have a special meaning, because they show the enormous potential of true cooperation between our two countries, and what this border area will be when we implement the ideas we are now proposing to strengthen our economies.

Above all, as you said President Barco, these ideas will allow us to take care of our peoples, Colombians and Venezuelans, who in the midst of potential wealth live in poverty because we have not unified what nature unified. These ideas will allow us to work to develop the great potential in this immense border area between Colombia and Venezuela.

There are all kinds of projects, from relatively simple and inexpensive ones to projects that are not only important from the economic viewpoint, but also because they teach our citizens how indispensable understanding and cooperation is between our two countries. For example, the agreement we signed to study the viability of building a great hydroelectric dam in the Azul area on the Orinoco River. This project will soon be a perfect symbol of the unity between Colombia and Venezuela.

President Barco, we want to express our approval of the efforts being made by the commissioners of Colombia and Venezuela to study all the problems that exist between our two countries, as well as the vast potential for increased joint efforts and understanding. The four high commissioners have already delivered to us a very important, and I believe wide-ranging report. You have always been concerned and have always had a special interest in something we have discussed often during our meetings over the years we have been friends.

An in-depth study of the ways in which we can help one another could help establish a development plan that would set the bases for integration between our two countries, and would be a starting point for Latin American integration.

Surely this idea, which you outlined to me many years ago during one of our frequent meetings, could become a reality today when we receive these studies prepared by the high commissioners, and on which we can base more ambitious Colombian-Venezuelan integration projects.

Perhaps the most important aspect of the decision we made in March, during our first meeting, was related to the need we felt to examine and globally solve the fundamental problems with which we have coexisted—not free of harm to our relations—throughout all those years during which we became independent nations.

The time has come, President Barco, brothers, friends of Colombia, for us to carry out an in-depth study of the relationship that exists between our countries, and the manner in which they complement one another, and to globally solve all the problems that may hinder our relations; we must do so with full responsibility, with modern criteria, and with an understanding of our times. Therefore, I truly hope that over the course of years, instead of occupying ourselves with this or that problem, we will be able to set an example for our nations and for Latin America, as the two fatherlands that were fundamental to the Latin American subcontinent's independence; we must show that we have eliminated all the motives for friction among us, once and for all, and, meanwhile, that we have also identified all the issues, programs, and plans that may lead to the initiation of a solid integration process among our fatherlands or, in other words, a process of well-being for Colombians and Venezuelans—and for foreigners who live in our two nations.

This integration process should be our courageous, historic goal, and it should mark the culmination of the phase in which we initiated—with such happy ideas and such firm political resolve—the analytical examination of issues that are of common interest to Colombia and Venezuela.

We are resolved and determined to join forces to confront the lack of consideration with which we are still treated by the large industrialized nations on a daily basis. I pointed this out at the United Nations when I referred to the problems posed by our countries' debts and drug problems, and the situation in Colombia. I applauded the decisive manner in which the U.S. President expressed solidarity with Colombia and offered to make contributions, but I also reflected at that international forum on the meaning of that aid to Colombia, when a few months ago that same great nation refused to sign the international coffee agreement, coffee being a raw material product on which a considerable number of Latin American countries depend to survive, because it is their leading export.

As long as drug trafficking continues to feed on a large and growing number of consumers, Colombia's economy will weaken as the prices of its leading exports are reduced by almost half, at a cost of more than $400 million a year for the country, because the coffee agreement was not signed. Latin Americans can no longer allow this to happen. We do not want a confrontation; we are seeking an understanding through dialogue, but the hour has also come for our legitimate demands and claims to be heard, and for us to be treated with mutual respect, taking into consideration the interests that we are defending on our people's behalf. Therefore, we cannot separate problems such as drugs, the environment, the debt, and international commercial trade.

I remember when you [Barco] read your speech, and you bravely told the British prime minister that you were willing to go to the international forum she presides over to discuss the drug problem. She told me about it during a memorable luncheon to which I was invited by President Mitterrand to celebrate the French revolution's bicentennial. My answer was immediate: a magnificent idea, Mrs Thatcher, but the drug problem does not stand alone.

Our countries also have economic problems. Why not include our foreign debt and trade balance problems in the conference you are suggesting? We cannot expect to solve the debt and drug problems by taking police measures. We are not going to improve our plight... [changes thought] We cannot convince the poor and humble peasants in Bolivia and Peru —living in the midst of our harsh and rugged terrain—to change their coca crops for other types of crops if our economies are not able to absorb the new crops. It is necessary that we together conduct an in-depth study of the economic factors involved in our countries' production of drug plants.

President Barco was right when he noted that, although our countries plant coca crops, cocaine production requires more than coca leaves. Chemicals are needed to process the coca leaves and to produce cocaine. The required chemicals are not manufactured in Latin America. They are manufactured in the United Staes and in Europe. These chemicals may enter our countries as contraband, but they are shipped legally out of the places where they were manufactured. In this manner and with these products, the cocaine industry thrives in Latin America.

We cannot separate our problems. We have to confront them together. We have to do so with understanding and cooperation. We have to express our willingness to listen and take into account the world's demands, in order for all these problems to be solved. However, the world also has to be aware that we are also a part of the world and that we also demand solutions to our problems. Interdependence is now an indisputable fact, but interdependence works both ways. This is the way we have to understand and confront our problems.

President Virgilio Barco, I express to you my deep faith that our fatherlands' destinies will be positive ones. I am sure we will successfully accomplish what we have agreed to do here. I am also sure that the Group of Eight's historic Latin American initiative to integrate the region will also advance. Latin American countries should be

encouraged when we see large countries join ranks, and when we see an EEC that was formed after overcoming the hatred caused by two world wars. It is inconceivable that the Latin American countries, which have every reason to unite—similarities, fraternity, and understanding—are unable to implement the great ideals that were not conceived by us, but were left to us by our liberating forefathers.

That is why I want to conclude my address today on a note of optimism and faith. You said, President Barco, that drug traffickers will be defeated in Colombia. We say: We have confidence in you because we believe that we will reach an understanding among all nations to defeat the many evils that burden all of us. One example of these evils is the international crime of drug trafficking, which we all have to fight. Let us get to work then, Colombians and Venezuelans. Let us get to work on the big task ahead of us. [applause]

Investment Plan Presented for $23.557 Billion

PA1610151489 Hamburg DPA in Spanish 2330 GMT 7 Oct 89

[Text] Caracas 7 October (DPA)—Coordination and Planning Minister Miguel Rodriguez presented an investment plan for $23.557 billion this afternoon.

The 5-year plan for 1989-1994 will promote the development of petroleum, iron, and aluminium industries. It will also promote social activities such as the construction of schools, hospitals, housing, improvement of public services, consolidation of rural areas, and infrastructure projects to support the production sector.

Rodriguez stated: "This is not an empty or utopian plan. It is a program that has been planned according to the country's present economic situation."

He stressed that one of the plan's main priorities is to stimulate private investment "as a fundamental factor in the expansion of production."

Suriname

Indians Reject Kourou Accords Referendum

FL1210211389 Paramaribo International Service in English 1730 GMT 12 Oct 89

[Text] The rebellious Tucayana Amazon Indians rejected the proposal made by Assembly Chairman Jaggernath Lachmon for the holding of a referendum on the scraping of the Kourou Accords. This is contained in a letter by the rebels to the assembly chairman.

During the first discussion with the Tucayanas last Monday, Lachmon had said that the Kourou Accords can only be scraped through a referendum. The annulment of the accords between the government and the so-called Jungle Commando is one of the most important demands of the Tucayana Amazon Indians.

According to the rebels, the proposal for the holding of a referendum is intentionally provocative and an attempt to pull the majority against an oppressed minority. In the letter, the Amazon Indians called for the formulation of a state document for national peace, disarming, the deportation of mercenaries, and a [word indistinct] government. They say they are willing to cooperate in the formulation of such a document.

Faster Pace on Anti-Mercenaries Accord Urged

FL1210214589 Bridgetown CANA in English 1453 GMT 12 Oct 89

[Text] United Nations, Oct 12, CANA—Having spent many years serving as a member of a UN panel that is drafting an international convention to outlaw the use of mercenaries, Suriname wants the world body to speed up work on the accord.

Edwin Sedoc, Suriname's foreign minister, told the UN General Assembly that while the ad hoc committee that was preparing the proposed anti-mercenary convention was failing to complete its work, the activities of mercenaries were not only continuing, but creating problems in many developing countries. Sedoc said that although the committee had made some headway with the convention that would bar the recruitment, training, using, and financing of mercenaries, "certain conflicts of interest" had prevented the panel from finishing the job.

Barbados and Jamaica are also members of the committee.

Like other Caribbean states, Suriname also sought to focus the attention of the international community on the importance of multilateral action to help solve some of the pressing international issues.

Sedoc also cited the protection of the environment was an area which required a multilateral approach. He expressed the hope that the UN conference on the environment and development scheduled for 1992 would prepare a global plan to deal with the environmental problems now confronting the various countries.

Pointing to the dumping of toxic waste on developing countries by industrial nations, Sedoc described it as a major malpractice against the environment which must be stopped.

Armed Group Occupies Moengo; No Casualties

FL1310224989 Paramaribo International Service in English 1730 GMT 13 Oct 89

[Text] Reports say that the bauxite town of Moengo in the Marowijne District has yesterday evening been occupied by a group of armed men. The spokesman for the Moengo Mine Workers Union has this morning told our newsroom that the armed group calls itself Liberation Movement for Democracy and Development. According to the spokesman, the group says that it supports the government and the implementation of the Kourou Accords.

The police officers in Moengo have been disarmed by the group. Further, all the roads leading to Moengo, both over land and sea, are under the control of the armed men. It's also announced that they have placed dynamite at two points in the main roads which leads to Paramaribo.

Moengo lies approximately 100 km from Paramaribo and is, among others, important for the Surinamese economy because of the factory of the Suriname Aluminum Company, Suralco, which is situated there.

The spokesman for the union said that armed men are patrolling the streets of Moengo. Reports say that, until now, there have been no casualties since the occupation by the armed men.

Government Issues Statement

FL1610212189 Paramaribo International Service in English 1730 GMT 16 Oct 89

[Text] The Suriname Government has in a statement expressed its serious concern about the armed actions of the so-called Union [as heard] for Liberation and Democracy. The group of men have since last Friday morning occupied the town of Moengo in the Marowijne District and claims that it wants to support the government with this action. The group also says that it is in favor of the execution of the accord between the government and the Brunswijk Gang. Actions such as these, however, present a danger to the democratic constitution of (?state) says the government statement.

A call has been made on the rebels not to endanger human lives and not to damage the economy. The president's spokesperson, [name indistinct] has stated that the president finds the armed form of support to the government unnecessary and condemns it.

Assembly Chairman Jaggernath Lachmon has also reacted on the occupation of Moengo by the so-called Union for Liberation and Democracy. If the group wants to protect the town of Moengo, as it claims, I am grateful, said Lachmon last Friday evening to the Suriname Television Foundation.